**ONEX**

Management's Discussion and Analysis and
Financial Statements, December 31, 2001

Onex Corporation is a diversified, Canadian-controlled company with 2001 annual revenues of \$23.8 billion, assets of \$20.9 billion and 87,300 employees worldwide.

We operate through autonomous subsidiaries in a variety of industries, including electronics manufacturing services, customer management services, automotive products, engineered building products, sugar refining, communications infrastructure and feature film exhibition.

Our objective is to create long-term value in partnership with our management teams by building industry-leading businesses.

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To Our Shareholders

In 2001, we've continued our move from printed to electronic communication for shareholders. While the look and feel of this year's printed report have been scaled back, all of the mandated disclosure and analysis for shareholders on Onex' financial performance and condition for 2001 are provided.

We have focused our communications on improving the content and presentation of our website at **www.onex.com**. Onex' website discusses the 2001 strategies of Onex' operating companies, our accomplishments in building their long-term value, and the principles and values that guide us in doing so.

This transition, which we started a year ago, has been well received by shareholders. It provides for more up-to-date reporting, saves money and is environmentally friendly. We are pleased that the quality of what we have accomplished was recognized when Onex' electronic annual report received the Silver Award at the first-ever *National Post* Online Annual Report Awards.

We strongly encourage you to visit our corporate website and review our 2001 activities. In fact, we encourage you to visit the site regularly for the most current information on Onex. You will find there all the detail you need to make informed judgments about the performance and prospects of Onex.

Management's Discussion and Analysis

This Management's Discussion and Analysis may contain certain statements that include words such as "believes", "expects", "anticipates" and words of similar connotation, which would constitute forward-looking statements. These forward-looking statements involve risks and uncertainties which may cause actual performance to be materially different; therefore, these statements should not, in any way, be taken as guarantees of future results.

Onex Corporation ("Onex") is a diversified, Canadian-controlled company that operates through autonomous subsidiaries in the services, manufacturing and technology sectors. At December 31, 2001, Onex had consolidated annual revenues of \$23.8 billion, consolidated assets of \$20.9 billion and 87,300 employees worldwide.

This Management's Discussion and Analysis ("MD&A") is presented in five sections to assist the reader in understanding Onex' operations and financial results:

The Onex companies at December 31, 2001

An introduction to Onex' industry segments and the operating companies within those segments. It provides an overview of each Onex operating company, including a brief description of the company and Onex' ownership and voting interest in that company for both 2001 and 2000.

2001 significant events

A summary of significant events that took place during 2001 and which affected Onex and its operating companies.

Financial review

A review of Onex' consolidated operating results, financial condition and cash flow for the years ended December 31, 2001 and 2000. This section should be read in conjunction with the consolidated financial statements and notes for the years ended December 31, 2001 and 2000, which follow this discussion (pages 29 to 62).

Outlook

A discussion of the current commitments and strategic direction that may affect the results of Onex, the parent company, and its operating companies during the next 12 months.

Risk management

A discussion of the business risks to which Onex and its operating companies are exposed and the means by which Onex, the parent company, and its operating companies address such risks.

2001 financial highlights




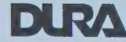


- Revenues were **\$23.8 billion**, an increase of \$1.9 billion or nine percent.
- Operating earnings were **\$1.2 billion**, up slightly from 2000.
- Onex recorded a net after-tax gain of **\$944 million** on the sale of Sky Chefs.
- Net earnings were **\$798 million (\$4.95 per share)**, up \$610 million from \$188 million (\$1.15 per share) last year.
- Cash flow from operations grew to **\$1.0 billion (\$6.23 per share)**, up 18 percent from \$852 million (\$5.22 per share) last year.
- Assets at the end of the year totalled **\$20.9 billion**, an increase of \$1.2 billion.
- Cash and near cash items at the parent company totalled **\$1.9 billion** at December 31, 2001.

Throughout the MD&A, all amounts are in Canadian dollars unless otherwise indicated.

The Onex Companies at December 31, 2001

Onex owns major enterprises which operate in the following industry segments: electronics manufacturing services, customer management services, automotive products and engineered building products. In addition, it owns companies that operate on a smaller scale in communications infrastructure, sugar refining and marketing, online insurance brokerage and feature film exhibition: these companies are identified in this discussion as "other businesses". Onex is also a partner in, and co-investor with, ONCAP, a fund established to acquire and build small-capitalization companies. Collectively, these enterprises are known as Onex' operating companies.

The following table presents a summary of information on Onex' operating companies as at December 31, 2001 and 2000.

		2001 Ownership/ Voting	2000 Ownership/ Voting
Electronics Manufacturing Services			
 CELESTICA	Celestica Third-largest electronics manufacturing services company in the world. Publicly traded on the NYSE and TSE under the trading symbol CLS. 2001 Revenues – \$15.6 billion	18%/84%	20%/86%
Customer Management Services			
 CLIENTLOGIC	ClientLogic A global customer management services company focused on providing customer contact and fulfillment services. 2001 Revenues – \$599 million	70%/87%	70%/87%
Automotive Products			
	Hidden Creek Industries Onex' acquisition partnership in the automotive parts industry.		
	Dura Automotive World's largest independent designer and manufacturer of driver control systems and a leading supplier of door modules, seat mechanisms and structures, glass systems and engineered assemblies for the global automotive industry. 2001 Revenues – \$3.9 billion	8%/68%	8%/70%
	J.L. French Automotive Castings Leading designer and manufacturer of aluminum die-cast components and assemblies for automotive original equipment manufacturers in North America and Europe. 2001 Revenues – \$787 million	37%/81%	37%/81%
	Performance Logistics Group Leading North American provider of automotive transportation and logistics services for automotive and light truck OEMs. 2001 Revenues – \$302 million	49%/100%	49%/100%

		2001 Ownership/ Voting	2000 Ownership/ Voting
Automotive Products (continued)			
Bostrom plc	Commercial Vehicle Systems Leading manufacturer and assembler of wiper, mirror and control systems for the North American medium and heavy truck markets. 2001 Revenues – \$96 million	45%/100%	45%/100%
	Bostrom Manufacturer and assembler of seat systems for the North American and European heavy truck and equipment markets. 2001 Revenues – \$233 million	52%/100%	52%/100%
	Trim Systems Leading interior trim supplier to heavy truck OEMs. 2001 Revenues – \$107 million	77%/100%	34%/50%
Engineered Building Products			
MAGNATRAX CORPORATION	MAGNATRAX A major manufacturer and marketer of engineered steel building and roofing systems, steel components, entry systems and painted steel coils for industrial, agricultural, commercial, institutional and residential markets. 2001 Revenues – \$1.2 billion	53%/80%	53%/80%
Other businesses include:			
 RADIAN	Communications Infrastructure	73%/81%	–
	Radian Communication Services A leading North American provider of wireless communications infrastructure and integrated network solutions. 2001 Revenues – \$135 million		
	Sugar Refining and Marketing	61%/75%	61%/75%
	Lantic Sugar Leading refiner and marketer of sugar in eastern Canada. 2001 Revenues – \$268 million		
	Online Insurance Brokerage	55%/65%	49%/63%
	InsLogic Technology-enabled, private-label insurance brokerage service. 2001 Revenues – \$3 million		
	Small-Capitalization Opportunities	25%/100%	25%/100%
ONCAP	ONCAP A \$400-million fund focused on acquiring and building the value of small-capitalization companies based in North America. Actively manages investments in EnSource Energy Services, CMC Electronics and Armtec. 2001 Revenues – \$584 million		
	Feature Film Exhibition	67%/73%	67%/73%
	Galaxy Entertainment A chain of modern megaplex theatres in small- and medium-sized markets in Canada. 2001 Revenues – \$28 million		

Additional information on the industry segments in which the Onex companies operate is provided in note 24 to the consolidated financial statements.

2001 Significant Events

This section reviews the significant events and activities that impacted Onex and its operating companies during 2001.

Sale of Sky Chefs

In 2001, Onex' completion of the sale of its interest in Sky Chefs was the culmination of a successful long-term partnership with Sky Chefs' management, which created the world's largest airline caterer and significant value for all Sky Chefs' shareholders. On June 1, 2001, Onex sold its remaining 47 percent ownership in Sky Chefs to LSG Lufthansa Service. Onex received proceeds of \$1.3 billion and recorded a net after-tax gain of \$944 million. The value created and realized by Onex on its \$99 million total investment over the 16 years of its ownership of Sky Chefs resulted in a compound annual return of 30 percent.

The operations of Sky Chefs up to the date of sale and the resulting gain on the sale have been reclassified to one line item – Earnings from discontinued operations – in the consolidated statements of earnings. The 2000 comparative statement of earnings has been adjusted to report the operations of Sky Chefs for that year as discontinued.

Loews Cineplex opportunity

Early in 2001, Onex identified an opportunity to participate in the North American film exhibition industry on a larger scale through Loews Cineplex. By year-end, Onex had invested a total of \$289 million in Loews Cineplex' debt with the plan to convert this debt into equity of a new, restructured Loews Cineplex. We worked throughout 2001 to assist with the development of a restructuring plan that will lead the company to emerge from the bankruptcy process in the United States and Canada. We anticipate that this will occur in the first quarter of 2002.

Electronics Manufacturing Services

Celestica's customers experienced unprecedented declines in demand for their products during 2001. As a result, Celestica's revenue growth in U.S. currency was three percent in 2001 compared to 84 percent in 2000. Celestica's management acted quickly to scale back operations to accommodate the reduced market activity. They optimized the company's global manufacturing network, thereby reducing manufacturing costs, improving operational efficiencies and minimizing working capital. Headcount was reduced by 34 percent and there were 18 fewer manufacturing sites by the end of 2001. Restructuring costs associated with these activities were \$406 million in 2001.

Two substantial acquisitions in low-cost geographies during 2001 added cost-effective manufacturing capacity and new customer relationships. These were Omni Industries, a high-quality electronics manufacturing services ("EMS") provider based in Asia, and Sagem CR, an EMS supplier in the Czech Republic. Important new strategic alliances with Lucent Technologies, Avaya and Motorola were also established in 2001.

In 2001, Celestica strengthened its financial position with the completion of a treasury issue of 12 million subordinate voting shares for net proceeds of \$1.1 billion. Onex did not sell any of its shares of Celestica in this offering. Celestica also issued shares as part of its acquisitions of Excel Electronics, Omni Industries and Primetech Electronics. Collectively, these share issuances resulted in Onex recording \$218 million in accounting dilution gains due to the increase in book value of Onex' interest in the net assets of Celestica.

Customer Management Services

Faced with a difficult economic environment during 2001, ClientLogic changed its strategic direction and introduced more stringent controls and financial discipline to its operations; the company also appointed new leadership in key operating and finance roles. Management sharpened its focus on generating positive cash flow and improving operating efficiencies, which reduced operating costs by approximately \$26 million. These initiatives resulted in a significant improvement in operating performance for the year.

ClientLogic's business strategy in 2001 was to build on its strengths in third-party fulfillment and call centre management. The company's success with this new focus was evidenced by a new strategic alliance with BT Ignite Solutions, a British Telecom subsidiary. ClientLogic manages BT Ignite Solutions' outsourced contact centre capabilities and, in turn, BT Ignite Solutions manages ClientLogic's technology and network infrastructure at all its European locations. This alliance led to increased revenues from substantial new business contracts with BT Ignite Solutions and other British Telecom divisions.

ClientLogic completed its annual review of the recoverability of its unamortized goodwill. Given the high level of unamortized goodwill and intangible assets, and the short amortization period remaining, it appeared uncertain whether current operations could achieve such recoveries. Accordingly, the company wrote off \$145 million of unamortized goodwill and other intangible assets in the second quarter of 2001.

Automotive Products

North American car and light truck production reached a record high of 17.2 million units in 2000. As the economic downturn took hold, however, original equipment manufacturer ("OEM") production in North America fell to 15.3 million units in 2001. As a result, Onex' automotive OEM supply companies, which include Dura Automotive, J.L. French Automotive Castings and Performance Logistics Group, experienced lower revenues and increased pressure

on operating margins. J.L. French's operating results during the current slowdown of the automotive industry and the uncertainty of automotive production volumes in the near future caused J.L. French to assess the recoverability of its unamortized goodwill. A writedown of \$225 million of J.L. French's goodwill was recorded in the second quarter of 2001 for the value of goodwill that was considered to be impaired.

More dramatically, North American heavy truck production has fallen more than 50 percent from 2000 production levels. Heavy truck OEMs built fewer than 130,000 units during 2001. Commercial Vehicle Systems, Bostrom and Trim Systems, Onex' heavy truck supply companies, made significant adjustments to their operations in order to deal with lower production volumes and reduced manufacturing efficiencies related to the reduced demand from OEMs. By the end of 2001, all of our automotive companies had implemented initiatives to reduce costs, improve productivity, maximize cash flow and reduce debt in order to ensure they have the financial strength to weather, if necessary, a continuing downturn in OEM production.

Engineered Building Products

Across all of MAGNATRAX' primary business segments – metal buildings and roofing systems, components manufacturing, commercial and residential doors, agricultural and industrial storage products – 2001 presented some of the toughest business conditions in the past two decades. As a result of this enterprise-wide decline in demand, MAGNATRAX reported lower year-over-year revenues and operating earnings in 2001. Initiatives implemented during 2001 to reduce costs, improve cash flow and focus on market and product expansion partially mitigated the impact of the revenue decline.

MAGNATRAX determined that one of its divisions, Armtec, was not core to its operations and sold the business in August 2001. Proceeds of \$93 million were used to reduce the company's debt.

Other Businesses

Communications Infrastructure Onex acquired Radian Communication Services in early 2001, investing \$72 million in the equity of the company for a 73 percent ownership interest. Radian offers comprehensive solutions in four primary business segments of the communications infrastructure industry: wireless – engineering and technical services; towers – manufacture of communications towers; broadcast – custom-engineered infrastructure for radio and television; and in-building – solutions for converged voice, data, video and wireless applications.

In 2001, the economic slowdown affected capital spending in each of these business segments as customers elected to maintain their communications infrastructure rather than grow. With business growth slower than anticipated in 2001, Radian focused on modernizing its manufacturing facilities, upgraded its information technology systems and opened four new offices in the United States. These initiatives better position the company for growth as a major North American communications infrastructure provider.

Sugar Refining and Marketing Lantic Sugar's operating profits in 2001 were below those of last year. Revenues for the company were up during the year due to the effect of higher sales volumes and increased raw sugar prices. Lantic Sugar faced increasing pressure on margins in its consumer products segment due to increased competition from importers of refined sugar. The completion of the Montreal refinery's modernization and expansion contributed to reduced production costs, partially offsetting the negative effect of competitive pressures on margins.

Online Insurance Brokerage InsLogic continued to develop its online insurance brokerage business during 2001. The company reduced costs, rationalized unprofitable accounts and changed its

economic model so that clients share in development costs. It also successfully launched a term life insurance product for a major consumer financial services firm in the United States that won the client's "Excellence in Service" award. InsLogic incurred an operating loss in 2001 due to continued spending on the development of its platform.

Small-Capitalization Opportunities The global economic downturn in 2001 made access to capital markets and bank financing more difficult for small- to medium-sized companies. ONCAP was active in this environment and completed two acquisitions: CMC Electronics, a designer, manufacturer and marketer of electronic and communications products for commercial and military applications; and Armtec, a leading provider of products and engineering solutions for the infrastructure, natural resources, agriculture and residential construction industries in Canada. These purchases and acquisition growth at EnSource Energy Services contributed to the increase in revenues and operating earnings at the ONCAP companies.

Feature Film Exhibition Galaxy Entertainment grew steadily in 2001, adding three new theatres with a total of 23 screens. At year-end, Galaxy Entertainment was operating 13 megaplex theatres with a total of 109 screens. With the increase in screens and attendance, Galaxy Entertainment more than tripled its 2000 revenues and built its share of the Canadian film exhibition market from one percent to five percent.

Cash resources

Onex, the parent company, ended the year in an exceptionally strong financial position. Cash and near cash items almost doubled over the prior year, reaching \$1.9 billion at the end of 2001.

Financial Review

This section compares Onex' consolidated financial results for the fiscal years ended December 31, 2001 and 2000. The discussion analyzes significant changes in the financial statement components, which comprise the consolidated balance sheets, consolidated statements of earnings, consolidated statements of shareholders' equity and consolidated statements of cash flows.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the consolidated statements of earnings, found on page 32 of this report, and the corresponding notes to the consolidated financial statements.

Consolidated revenues

Consolidated revenues were \$23.8 billion in 2001, compared to \$21.9 billion in 2000. Revenues are reviewed by industry segment and operating company in the discussion and chart that follow. The 2000 revenue numbers previously presented have been reclassified to exclude Sky Chefs' revenues, which are reported as part of discontinued operations.

Onex' consolidated revenues by industry and geographic segments for 2001 and 2000 are shown in Chart 1.

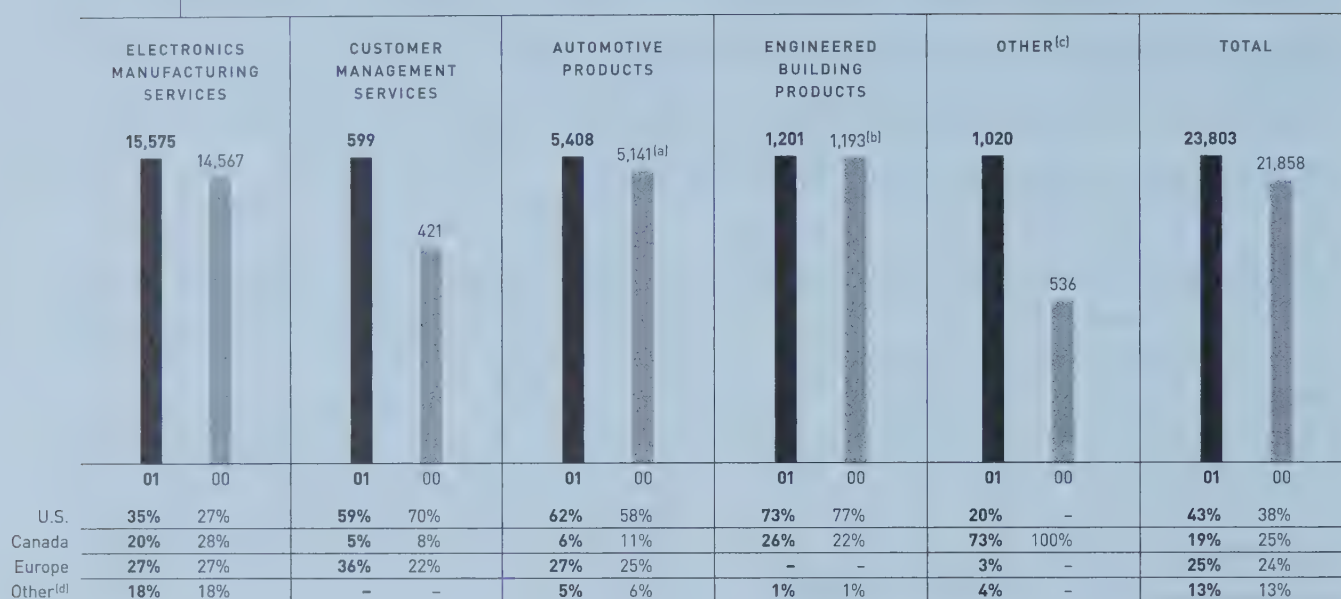
Electronics Manufacturing Services Celestica reported revenues of \$15.6 billion in 2001, a modest increase from \$14.6 billion in 2000. Acquisition revenue, defined as revenue from businesses acquired in the preceding 12 months, grew 14 percent, which more than offset the decline in "organic" revenue. Organic revenue, defined as revenue excluding business from operations acquired during the last 12 months, declined year-over-year due to the softening of demand in the markets in which Celestica's customers operate.

Customer Management Services ClientLogic continued to build its business in 2001. Revenues increased to \$599 million, a 42 percent increase over 2000 levels, despite the downturn in the economy. ClientLogic's strategic alliance with BT Ignite Solutions during 2001 contributed a significant portion of the revenue increase. The balance of the revenue growth resulted from new customers and organic growth with existing customers.

Automotive Products During 2001, North American production of cars and light trucks was down 11 percent from 2000; manufacture of heavy trucks fell over 50 percent from 2000 levels. Despite reduced production volume by automotive and heavy truck OEMs, Onex' automotive products segment collectively increased revenues to \$5.4 billion, an increase of \$267 million over 2000. Total revenue growth was impacted by \$233 million from the inclusion of a full year of revenues contributed by Bostrom, which was acquired in October 2000, and \$107 million from the consolidation of Trim Systems in mid-2001. In June, Onex increased its ownership in Trim Systems from 34 percent to 77 percent with the purchase of another shareholder's interest and began to consolidate Trim Systems' results at that time. Offsetting the positive contributions of Bostrom and Trim Systems was a decline in revenue at Dura Automotive and J.L. French Automotive Castings. The decrease was due primarily to lower automotive OEM production volumes. Table 1 details the comparative revenues of the automotive products segment by operating company for 2001 and 2000.

Revenue Diversification by Industry and Geographic Segments

CHART 1 (\$ millions)



(a) Includes the operations of Commercial Vehicle Systems and Bostrom from their respective March 2000 and October 2000 dates of acquisition.

(b) Includes the operations of Jannock from its March 2000 acquisition.

(c) 2001 includes Radian, Lantic Sugar, InsLogic, ONCAP, Galaxy Entertainment, Vencap and parent company. 2000 includes Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

(d) Other includes primarily operations in Central and South America, Asia and Australia.

Automotive Products Revenues

TABLE 1	(\$ millions)	2001	2000
Dura Automotive		3,856	3,916
J.L. French Automotive Castings		787	828
Performance Logistics Group		302	269
Commercial Vehicle Systems		96	90 ^(a)
Bostrom		233	– ^(b)
Trim Systems		107	–
Other ^(c)		27	38
Total		5,408	5,141

(a) Includes the operations of Commercial Vehicle Systems from its March 2000 date of acquisition.

(b) Bostrom operations acquired in late 2000 were not significant that year.

(c) Includes the operations of Performance Marketing Global and Hidden Creek Industries.

Engineered Building Products MAGNATRAX' revenues of \$1.2 billion were equal to 2000 revenues in Canadian dollars; however, in U.S. dollars, its operating currency,

revenues were down eight percent over last year. A significant downturn in the metal buildings market, particularly industrial buildings, was the primary reason for the revenue decline year-over-year.

Other Businesses Onex' acquisition of Radian Communication Services ("Radian"), effective January 2001, added \$135 million of revenues for the year.

Lantic Sugar reported revenues of \$268 million, up from \$251 million in 2000 as a result of an increase of four percent in the volume of sugar refined and higher raw sugar costs, which directly increase selling prices.

ONCAP's companies contributed \$584 million to 2001 revenues, more than triple 2000 revenues. Revenue growth was primarily attributable to acquisition growth at EnSource Energy Services, which completed five acquisitions in 2001, and the inclusion of revenues from ONCAP's 2001 acquisitions. CMC Electronics, which was acquired in April 2001, provided \$248 million

in revenues for the year. Armtec added \$47 million in revenues following its acquisition in August 2001.

Galaxy Entertainment and InsLogic contributed \$28 million and \$3 million, respectively, to 2001 consolidated revenues.

Operating earnings

We define operating earnings as EBIAT, or earnings before interest expense, amortization of goodwill, intangibles and deferred charges, acquisition and restructuring expenses and income taxes. This is the measure used by Onex to evaluate its operating companies' performance. We consider this to be a good measure with which to evaluate performance as it eliminates interest charges, which are a function of the particular financing structure, and any unusual charges. In 2001, Onex' consolidated operating earnings amounted to \$1.2 billion, compared to \$1.1 billion in 2000. Table 2 details operating earnings (loss) by industry segment.

Operating Earnings (Loss)

TABLE 2	(\$ millions)	2001	2000
Electronics Manufacturing Services	620	596	
Customer Management Services	(20)	(32)	
Automotive Products	424	452 ^(a)	
Engineered Building Products	66	93 ^(b)	
Other ^(c)	64	20	
Total	1,154	1,129	

(a) Includes the operations of Commercial Vehicle Systems and Bostrom from their respective March 2000 and October 2000 dates of acquisition.

(b) Includes the operations of Jannock acquired in March 2000.

(c) Other includes Lantic Sugar, InsLogic, ONCAP, Vencap, parent company, Galaxy Entertainment and Radian in 2001.

Electronics Manufacturing Services Celestica's operating earnings grew slightly to \$620 million in 2001 from \$596 million in 2000 due primarily to the company's revenue growth. Celestica was able to

maintain its operating margins due to its continued focus on supply-chain initiatives, cost reduction and a restructuring program that improved the efficiency of the company's global manufacturing network.

Customer Management Services ClientLogic's 2001 operating loss of \$20 million was a significant improvement over last year's operating loss of \$32 million. Increased revenues in 2001 and initiatives targeted at cost reduction and operating efficiency contributed to the company's improved performance for the year.

Automotive Products Total operating earnings in the automotive products segment were \$424 million compared to \$452 million in 2000. The decline was the result of lower OEM production of both light and heavy vehicles during 2001. Cost reduction and manufacturing efficiency strategies implemented by Onex' automotive companies helped to offset the impact of lower revenues.

A breakdown of operating earnings by operating company in the automotive products segment is shown in Table 3.

Automotive Products Operating Earnings

TABLE 3	(\$ millions)	2001	2000
Dura Automotive		276	323
J.L. French Automotive Castings		98	90
Performance Logistics Group		23	23
Commercial Vehicle Systems		16	14 ^(a)
Bostrom		12	— ^(b)
Trim Systems		2	—
Other ^(c)		(3)	2
Total		424	452

(a) Includes the operations of Commercial Vehicle Systems from its March 2000 date of acquisition.

(b) Bostrom operations acquired in late 2000 were not significant.

(c) Includes the operations of Performance Marketing Global and Hidden Creek Industries.

Dura Automotive, Onex' largest platform in this segment, recorded a \$47 million decline in operating earnings due to the impact of lower revenues and higher than anticipated launch costs for new programs in Europe. The increased operating earnings contributed by Bostrom were due to the inclusion of a full year of operations in 2001 following its acquisition in October 2000. Despite lower revenues, J.L. French's operating earnings improved over 2000 due to cost-saving initiatives implemented throughout 2001.

Engineered Building Products MAGNATRAX' 2001 operating earnings were \$66 million compared to \$93 million in 2000. Lower revenue was the primary factor in reduced operating earnings. Partially offsetting the decline were initiatives implemented throughout 2001 that reduced expenses, improved cash flow from operations and focused on market growth and new product development.

Other Businesses Radian contributed \$5 million to operating earnings following its acquisition effective January 1, 2001. A comparison of Radian's 2001 operating income to the prior year is not meaningful as Onex acquired the business in early 2001 and there have been many operational and structural changes from the prior year.

Lantic Sugar reported lower operating earnings due to additional production costs associated with the ramp-up of its Montreal refinery and increased energy costs attributable to higher natural gas prices early in the year. Lower margins on consumer products caused by competition from importers of sugar also reduced operating earnings.

InsLogic reported an operating loss of \$37 million in 2001 compared to a similar loss reported in 2000. The operating loss represents costs that were incurred for the continuing development of the company's technology-driven, private-label insurance brokerage platform.

The ONCAP companies contributed \$46 million to operating earnings in 2001, an increase of \$39 million over 2000. Acquisition growth at EnSource Energy Services contributed almost half of the operating earnings growth, while ONCAP's purchases of CMC Electronics and Armtec accounted for the balance.

Amortization of goodwill, intangible assets and deferred charges

Amortization of goodwill, intangible assets and deferred charges represents a substantial non-cash charge against Onex' earnings that arises primarily from the difference between the price paid when acquiring a business and the fair value of the identifiable assets and liabilities acquired. Until the implementation of recent accounting policy changes, as discussed below, goodwill was required to be amortized against earnings over an established "life" not exceeding 40 years.

Amortization of goodwill, intangible assets and deferred charges was \$361 million in 2001 compared to \$287 million in 2000 (see Table 12 for details of the 2001 and 2000 acquisitions). Acquisitions completed during 2001, particularly by Celestica, and the inclusion of a full year of goodwill amortization on significant acquisitions completed in 2000, generated most of the increase in amortization of goodwill, intangible assets and deferred charges. Note 24 to the consolidated financial statements segregates goodwill amortization by industry segment.

Effective July 1, 2001, Onex adopted the new accounting provisions provided in *Canadian Institute of Chartered Accountants ("CICA") Handbook* Section 3062, "Goodwill and Other Intangible Assets," requiring that, for all acquisitions completed after July 1, 2001, no amortization be recorded on goodwill and intangible assets with indefinite useful lives. Furthermore, beginning January 1, 2002, this change requires that all goodwill on the balance sheet at December 31, 2001 no longer be amortized. The amounts of goodwill and intangible assets with indefinite useful lives will continue to be evaluated each year to determine their fair value. Any amounts deemed to have been impaired will be written off at that time.

Writedown of goodwill and intangible assets

The management of each operating company undertakes an annual review of the value of its recorded goodwill and intangible assets to assess whether technological advances or changing business or economic circumstances have impaired their individual values. This review is performed on a business-by-business basis. In 2001, a writedown of goodwill and intangible assets totalling \$427 million was recorded. This compared to a \$22 million writedown in the prior year. Table 4 presents these charges by operating company.

Writedown of Goodwill and Intangible Assets

TABLE 4	(\$ millions)	2001	2000
Celestica		57	-
ClientLogic		145	22
J.L. French Automotive Castings		225	-
Total		427	22

In the second half of 2001, Celestica wrote off \$57 million in goodwill and intangible assets attributable to certain long-lived assets that became impaired with the rationalization of facilities as part of its restructuring program.

In 2001, ClientLogic completed its review of the recoverability of its unamortized goodwill and intangible assets over their remaining amortization period, which averages about three years. Given the high level of unamortized goodwill and intangible assets, and the short amortization period remaining, it appeared uncertain whether current operations could achieve such recoveries. Accordingly, ClientLogic wrote off essentially all of its unamortized goodwill, recording a \$145 million non-cash charge in 2001.

J.L. French reviewed the recoverability of the goodwill recorded on its books in light of its operating results and the uncertainty of automotive OEM production volumes in the near future, given the current economic environment. It was determined that the recoverability of the full amount of goodwill,

which arose on the purchase of the business and its subsequent add-on acquisitions in 1999, was not achievable. A \$225 million writedown of J.L. French's consolidated goodwill was recorded in the second quarter of 2001.

Interest expense of operating companies

When Onex acquires a company, it is our policy to structure the acquisition with sufficient equity in the acquired company to enable it to self-finance a significant portion of the acquisition cost with a prudent level of debt. The level of debt assumed is commensurate with the operating company's available cash flow, including consideration of funds required to pursue growth opportunities. It is the responsibility of the acquired operating company to service the debt obligations. The debt of each operating company is without recourse to Onex or to any other Onex operating company.

Consolidated interest expense totalled \$440 million in 2001 compared to \$409 million in 2000. Table 5 shows the change in consolidated interest expense of our operating companies from 2000 to 2001. Acquisitions completed in 2000 and 2001 were the primary drivers for the growth in interest expense.

Change in Interest Expense

TABLE 5	(\$ millions)
Reported interest expense for 2000	409
Additional interest expense in 2001 due to:	
Financing ONCAP's acquisitions	21
Foreign currency translation	15
Financing ClientLogic	11
Financing Bostrom	8
Financing Trim Systems	8
Financing J.L. French Automotive Castings	4
Other	6
Interest expense reduction due to:	
Decrease in interest rates	(38)
Repayment of debt by Dura Automotive	(4)
Reported interest expense for 2001	440

Accounting gains on shares of operating companies

Onex recorded \$163 million of net after-tax gains in 2001 compared to \$206 million of such gains in 2000. Table 6 details the nature of the gains for 2001 and 2000. This does not include the gain recorded on the sale of Onex' remaining interest in Sky Chefs, which is reported in "Discontinued operations".

Accounting Gains on Shares of Operating Companies

TABLE 6	(\$ millions)	2001	2000
Issue of shares by Celestica		218	158
Issue of shares by ClientLogic		–	112
Sale of non-operating investments		–	21
Provisions on value of non-controlled entities		(54)	(82)
Provision for taxes		(1)	(3)
Net after-tax gains on shares of operating companies		163	206

In May 2001, Celestica completed a treasury issue of 12 million subordinate voting shares for net proceeds of \$1.1 billion. While Onex did not sell any Celestica shares in this offering, Onex recorded an accounting dilution gain of \$136 million as a result of the increase in book value of Onex' interest in Celestica. This offering reduced Onex' ownership interest in Celestica to 19 percent from 20 percent. In addition, Celestica also issued shares as part of its acquisitions of Excel Electronics, Primetech Electronics and Omni Industries, which collectively resulted in an additional \$82 million dilution gain. This further reduced Onex' ownership in Celestica to 18 percent.

During 2001 and 2000, Onex established certain provisions against the carrying value of a number of its non-controlled entities. The provisions, which totalled \$54 million in 2001 (2000 – \$82 million), reflect changes in value of those assets that Onex deemed permanent.

In 2000, Celestica completed a treasury offering of 16.6 million subordinate voting shares that resulted in Onex recording a \$158 million accounting dilution gain. Onex recorded further dilution gains of \$112 million associated with ClientLogic's private equity offering and share issuance as part of ClientLogic's acquisition of ACS TeleServices.

Acquisition, restructuring and other expenses

Acquisition, restructuring and other expenses are considered one-time costs incurred to realign organizational structures, restructure manufacturing capacity and obtain operational synergies critical to building the long-term value of Onex' operating companies. In 2001, acquisition, restructuring and other expenses were \$474 million compared to \$42 million a year earlier. Table 7 provides a detailed breakdown of these costs by industry segment.

Acquisition, Restructuring and Other Expenses

TABLE 7	(\$ millions)	2001	2000
Electronics Manufacturing Services		406	24
Customer Management Services		11	12
Automotive Products		39	3
Other ^(a)		18	3
Total		474	42

(a) Other includes Radian, Lantic Sugar, ONCAP and parent company.

In 2001, Celestica undertook a significant rationalization of its global manufacturing network to adjust operations to reflect lower volumes in its customers' end markets, resulting in a \$406 million non-recurring restructuring charge. In 2000, Celestica incurred \$24 million in costs associated with the integration of acquisitions. These costs were due to the implementation of new processes, the closure of overlapping operations that resulted from acquisitions, the installation of compatible information technology systems and the start-up of greenfield sites.

Dura Automotive incurred \$39 million in charges in 2001 related to the sale of its Australian operations; this compared to \$3 million of charges taken in 2000 for integration costs attributable to recent acquisitions.

Sale of Sky Chefs

On June 1, 2001, Onex completed the sale of its remaining 47 percent interest in Sky Chefs to LSG Lufthansa Service ("LSG"). The net loss of \$5 million on the operations of Sky Chefs up to the date of the sale, and resulting net after-tax gain of \$944 million on the sale, were reclassified as "Earnings from discontinued operations". The consolidated statement of earnings and the consolidated statement of cash flows for the year ended December 31, 2000 have also been reclassified to report Sky Chefs' operations as discontinued.

Earnings from discontinued operations totalled \$939 million in 2001 and \$35 million in 2000. The 2000 amount represents Onex' share of the net income of Sky Chefs for that year and the "earn-out" proceeds, based on the achievement of earnings-related targets, from the 1999 sale of a portion of Sky Chefs to LSG. Note 3 to the consolidated financial statements provides a detailed description of the components of earnings from discontinued operations.

Consolidated net earnings

Consolidated net earnings grew to \$798 million, up \$610 million over 2000 results. Table 8 shows Onex' share of the net earnings (loss) by industry segment, as well as the contribution from net after-tax gains on sales of shares of operating companies and discontinued operations.

Consolidated Net Earnings

TABLE 8	(\$ millions)	2001	2000
Onex' share of net earnings (loss):			
	Electronics Manufacturing Services	(13)	56
	Customer Management Services	(187)	(113)
	Automotive Products	(101)	-
	Engineered Building Products	(4)	11
	Other ^(a)	1	(7)
Net after-tax gains on shares			
	of operating companies	163	206
	Earnings from discontinued operations	939	35
Consolidated net earnings		798	188

(a) Other includes Lantic Sugar, InsLogic, ONCAP, Vencap, parent company, Galaxy Entertainment and Radian in 2001.

In 2001, Onex was required to include for accounting purposes a greater percentage of the losses of ClientLogic and InsLogic than would otherwise have been the case based on Onex' economic ownership interests in those companies. This situation arose due to the interests of other shareholders in those companies being extinguished for accounting purposes because of accounting losses incurred by those companies. The interests of those other shareholders cannot be recorded at a negative value. As a result, in 2001 Onex recorded additional losses of \$18 million in regard to ClientLogic and \$10 million in regard to InsLogic. Upon either company recording earnings, Onex would include 100 percent of such earnings until Onex has recovered the additional amount of losses previously recorded.

Earnings per share

In January 2001, Onex adopted the revised *CICA Handbook* Section 3500, "Earnings Per Share". The new provision requires the use of the treasury stock method for calculating diluted earnings per share. Previously, the imputed earnings approach was used. The new provisions have been applied retroactively with the earnings per share for prior periods being restated. Table 9 details the weighted average number of shares outstanding for the purpose of calculating earnings per share. As a loss was reported on earnings from continuing operations, the effect of outstanding stock options was anti-dilutive. In this situation, the accounting provision requires that the weighted average number of shares used to calculate the basic earnings per share also be used for the calculation of diluted earnings per share even though, after discontinued operations, Onex reported positive net earnings.

Weighted Average Number of Shares Outstanding

TABLE 9	2001	2000
Basic	161,115,000	163,278,000
Diluted	161,115,000	173,475,000

Table 10 discloses the earnings per share for continuing operations, discontinued operations and net earnings.

Net Earnings (Loss) per Subordinate Voting Share

TABLE 10	(\$ per share)	2001	2000 ^(a)
Basic			
Continuing operations	(0.88)		0.94
Discontinued operations	5.83		0.21
Net earnings	4.95		1.15
Diluted			
Continuing operations	(0.88)		0.87
Discontinued operations	5.83		0.20
Net earnings	4.95		1.07

(a) Numbers have been restated to reflect the two-for-one stock split in June 2000.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the consolidated balance sheets on page 31 and the corresponding notes to the consolidated financial statements.

Consolidated assets

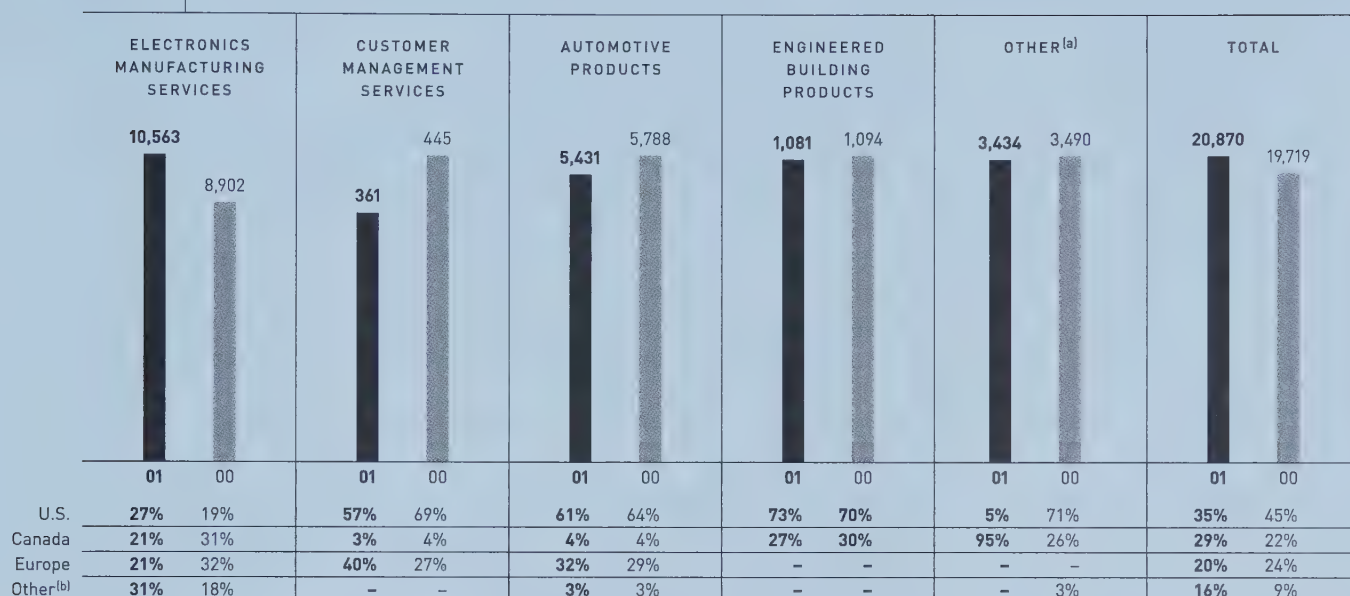
Consolidated assets increased to \$20.9 billion compared to \$19.7 billion as at December 31, 2000. Onex' acquisition of Radian in early 2001 combined with Celestica's acquisitions during the year were the primary contributors to the growth in consolidated assets. The increase in assets was partially offset by the sale of Sky Chefs in June 2001 and the corresponding removal of the associated assets from the consolidated balance sheets.

Chart 2 shows Onex' consolidated assets by industry and geographic segments. The industries in which Onex' subsidiaries operate are discussed in The Onex Companies section of this report on pages 4 and 5.

In 2001, acquisitions completed by Onex and its operating companies contributed \$4.6 billion to consolidated assets, compared to \$3.2 billion contributed in 2000. Table 12 describes the acquisitions completed by Onex and its operating companies. The acquisitions are also detailed in note 2 to the consolidated financial statements.

Asset Diversification by Industry and Geographic Segments

CHART 2 | (\$ millions)



[a] 2001 includes Radian, Lantic Sugar, InsLogic, ONCAP, Galaxy Entertainment, Vencap and parent company.

2000 includes Lantic Sugar, InsLogic, ONCAP, Vencap and parent company, and includes \$1,877 of discontinued operations.

[b] Other includes operations in Central and South America, Asia and Australia.

Property, plant and equipment expenditures

During 2001, Onex' operating companies made expenditures on property, plant and equipment totalling \$651 million; this compares to \$839 million in 2000. Table 11 details the property, plant and equipment expenditures by industry segment.

Property, Plant and Equipment Expenditures

TABLE 11 (\$ millions)	2001	2000
Electronics Manufacturing Services	313	386
Customer Management Services	52	84
Automotive Products	166	235 ^(a)
Engineered Building Products	24	29 ^(b)
Other ^(c)	96	105
Total	651	839

[a] Includes the capital expenditures of Commercial Vehicle Systems and Bostrom from their respective March 2000 and October 2000 dates of acquisition.

[b] Includes the capital expenditures of Jannock since its acquisition in March 2000.

[c] Other includes Lantic Sugar, InsLogic, ONCAP, Vencap, parent company, Galaxy Entertainment and Radian in 2001.

Consolidated debt

Onex, the parent company, has no debt, with the exception of debentures that are exchangeable into shares of Celestica; these are discussed in greater detail below. It has been Onex' policy to preserve a financially strong parent company that has funds available for new acquisitions and to support the growth of its operating companies. We strictly adhere to this policy, which means that all debt financing is undertaken within our operating companies, and each company is required to support its own debt. There are no guarantees by Onex or cross-guarantees between the operating companies. As a result, there can be no calls on Onex or an operating company for the debt of another operating company.

Table 13 on page 20 summarizes consolidated long-term debt by industry segment. Total consolidated long-term debt declined to \$4.4 billion in 2001 from \$5.2 billion in 2000 due primarily to the removal of \$1.1 billion of debt related to Sky Chefs. Partially offsetting this reduction was new debt associated with the acquisitions of Radian and CMC Electronics. Long-term debt for each operating company is detailed in note 9 to the consolidated financial statements.

2001 Acquisitions

TABLE 12 | *Operating company and total assets of acquisitions*

Celestica – \$3,531 million	<p>Eight acquisitions in 2001:</p> <ul style="list-style-type: none"> • Excel Electronics' Austin, Texas operation – a gateway facility that will provide prototyping and new product introduction services • Motorola's facilities in Dublin, Ireland and Mt. Pleasant, Iowa – a manufacturer of a broad range of wireless telecommunications products such as cellular phones, messaging devices, two-way radio products and related accessories • N.K. Techno – a repair facility located in Japan • Avaya Inc.'s manufacturing, repair and supply chain operations in Denver, Colorado, Little Rock, Arkansas and Saumur, France • Sagem CR – a manufacturing, repair and related supply chain services facility for mobile handsets and other communications products; located in Kladno, Czech Republic • Primetech Electronics – an electronics manufacturing services provider; based in Kirkland, Quebec • Lucent Technologies' operations in Columbus, Ohio and Oklahoma City, Oklahoma – North American switching, access and wireless networking systems products • Omni Industries – an Asian electronics manufacturing services company with operations in Singapore, Malaysia, China, Indonesia, Thailand, the United States and Mexico
Radian – \$142 million	<p>Onex' acquisition of Radian Communication Services, a leading provider of communications infrastructure and integrated network solutions</p>
ONCAP – \$940 million	<p>Two acquisitions in 2001:</p> <ul style="list-style-type: none"> • CMC Electronics – a designer, manufacturer and marketer of electronic and communications products for commercial and military applications • Armtec – a leading provider of products and engineering solutions for the infrastructure, natural resources, agriculture and residential construction industries in Canada

2000 Acquisitions

TABLE 12 | Operating company and total assets of acquisitions

Celestica – \$1,223 million	<p>Four acquisitions in 2000:</p> <ul style="list-style-type: none"> Enterprise Systems Group of IBM – printed circuit assembly and test services with facilities in Minnesota, United States; and Microelectronics Division of IBM – printed circuit board assembly services with facilities in Vimercate and Santa Palomba, Italy NDB Industrial – an NEC communications network equipment manufacturing operation in Brazil Bull Electronics – a contract manufacturer located in Massachusetts, United States NEC Technologies (UK) – a wireless communications products manufacturing facility in the United Kingdom
ClientLogic – \$34 million	Acquisition of ACS TeleServices – a provider of integrated customer relationship management services
Dura Automotive – \$90 million	<p>Two acquisitions in 2000:</p> <ul style="list-style-type: none"> Jack division of Ausco Products – a manufacturer of automotive jacks primarily for North American automotive OEMs Reiche Automotive Components – a manufacturer of steering columns for European and North American automotive OEMs
J.L. French Automotive Castings – \$10 million	Acquisition of Shoreline Industries – a manufacturer of high-pressure aluminum die-cast components principally for the automotive industry
Performance Logistics Group – \$158 million	Acquisition of E&L Transport – a distributor of vehicles and provider of logistics services for automotive OEMs in the United States
Commercial Vehicle Systems – \$150 million	Onex' acquisition of Commercial Vehicle Systems, a leading manufacturer and supplier of wiper, mirror and control systems for the North American medium- and heavy-duty commercial vehicle market
Bostrom – \$176 million	Onex' acquisition of Bostrom, a manufacturer of seats for the heavy truck, construction and agricultural vehicle markets
MAGNATRAX – \$787 million	Acquisition of Jannock – a manufacturer and distributor of metal building systems and products for the North American market
ONCAP – \$118 million	<p>Two acquisitions in 2000:</p> <ul style="list-style-type: none"> EnSource Industries – a provider of engineered oil and gas processing equipment and an instrumentation contractor EnSource Industries completed a reverse takeover of Enhanced Energy Services – a provider of specialized equipment for natural gas producers
Sky Chefs – \$474 million	<p>Three acquisitions in the home meal replacement business in 2000:</p> <ul style="list-style-type: none"> Orval Kent – a U.S. nationwide provider of refrigerated prepared foods Pennant Foods – a manufacturer and distributor of bakery products in Illinois, United States La Francaise Bakery – a U.S. producer of premium quality bakery products

Consolidated Long-term Debt Without Recourse to Onex

TABLE 13 (\$ millions)	2001	2000
Electronics Manufacturing Services	228	195
Customer Management Services	215	113
Automotive Products	3,070	3,094
Engineered Building Products	476	553
Other ^(a)	389	1,290 ^(b)
Total long-term debt	4,378	5,245

(a) Other includes Lantic Sugar, InsLogic, ONCAP, Vencap, Galaxy Entertainment and Radian in 2001.

(b) Includes \$1,094 relating to Sky Chefs, which was sold in 2001.

Exchangeable debentures

In 2000, Onex issued debentures exchangeable into shares of Celestica that Onex continues to hold. At the time of these transactions, Celestica's market value had significantly increased, resulting in Onex' ownership interest in Celestica representing, in our view, too great a portion of Onex' overall value. The exchangeable debentures were used as a vehicle to reduce the risk associated with holding too large a portion of Onex' total value in one operating company. A series of four debentures were issued in 2000 for an aggregate carrying amount of \$729 million. The debentures are exchangeable, at the request of the holders, into approximately 9.2 million Celestica subordinate voting shares, at fixed exchange rates. The debentures mature in 2025. Onex has the option to repay the debentures at any time by delivering the cash equivalent based on the market price of Celestica shares at the time of exchange, or a combination of shares and cash. Onex' obligation upon the exercise of the holders' exchange right is secured by a pledge of approximately 9.2 million Celestica shares.

At December 31, 2001, the market value of the exchangeable debentures was \$590 million, a decrease from last year due to the decline in the year-end market price of Celestica shares. At December 31, 2001, Onex held approximately 40.7 million shares of Celestica, including those pledged for the exchangeable debentures.

Future income taxes

The liability for future income taxes on the balance sheet increased to \$938 million at December 31, 2001, up \$457 million over 2000. The majority of this increase was due to the deferred tax provision recorded on the sale of Sky Chefs. The corresponding expense of this provision was netted in earnings from discontinued operations. Note 16 to the consolidated financial statements provides further information on future income taxes.

Non-controlling interests

The non-controlling interests amount on Onex' balance sheet represents the ownership interests of investors other than Onex in Onex' operating companies. As at December 31, 2001, the non-controlling interest balance totalled \$7.7 billion, compared to \$5.7 billion in 2000. Table 14 shows the reasons for the change in non-controlling interests from December 31, 2000 to December 31, 2001.

Change in Non-controlling Interests

TABLE 14 (\$ millions)	
Non-controlling interests as at December 31, 2000	5,673
Non-controlling interests in net losses of operating companies in 2001	(253)
Investments by shareholders other than Onex in:	
Celestica	2,133
Radian	25
InsLogic	10
ONCAP	105
Other, net	53
Non-controlling interests as at December 31, 2001	7,746

Celestica's treasury offering of 12 million subordinate voting shares, and its share issuances for the purchase of Excel Electronics, Primetech Electronics and Omni Industries, contributed \$2.1 billion to the overall increase in the non-controlling interests account.

Shareholders' equity

Shareholders' equity increased by \$0.8 billion to \$2.2 billion at December 31, 2001. Table 15 provides the major components of the change in shareholders' equity from December 31, 2000 to December 31, 2001.

Change in Shareholders' Equity

TABLE 15 | (\$ millions)

Shareholders' equity as at December 31, 2000	1,431
Stock options surrendered or exercised	(38)
Regular dividends declared	(18)
Dividend reinvestment plan	3
Shares repurchased and cancelled	(39)
Currency translation adjustment on	
self-sustaining foreign operations	82
Net earnings for 2001	798
Shareholders' equity as at December 31, 2001	2,219

Onex' Dividend Reinvestment Plan (the "Plan") enables Canadian shareholders to reinvest cash dividends to acquire new Subordinate Voting Shares of Onex at a five percent discount to a market-related price at the time of reinvestment. During 2001, Onex issued 144,564 Subordinate Voting Shares under the Plan at an average cost of \$19.92 per share, creating cash savings of approximately \$3 million for investors. This compares to 145,628 shares issued under the Plan in 2000 at an average cost of \$22.10 per share, creating cash savings of approximately \$3 million in that year.

Onex had a Normal Course Issuer Bid (the "Bid") in place during 2001 to enable it to repurchase up to 10 percent of its public float of Subordinate Voting Shares. Onex repurchased 2,242,800 Subordinate Voting Shares during 2001 under the Bid at a total cost of \$39 million. In 2000, Onex repurchased 1,618,200 shares under a similar Bid at a total cost of \$35 million. It is our view that it is advantageous to Onex and its shareholders to continue to repurchase Onex' Subordinate Voting Shares from time to time when the

shares are trading at prices that reflect a significant discount to their intrinsic value.

The currency translation adjustment in shareholders' equity primarily represents the unrealized appreciation in the value of Onex' ownership in U.S.-based operating companies since the date of their respective acquisitions due to changes in the U.S. dollar to Canadian dollar exchange rates. In 2001, the currency translation adjustment attributable to the increase in the value of the U.S. dollar relative to the Canadian dollar was \$82 million, which was recorded as an increase to shareholders' equity.

Further details on the components of shareholders' equity as at December 31, 2001 and 2000 are found in the consolidated statements of shareholders' equity on page 33 of this report.

CONSOLIDATED CASH FLOW

This section should be read in conjunction with the consolidated statements of cash flows (page 34 of this report) and related notes to the consolidated financial statements.

Operating activities

In 2001, cash flow from operations grew to \$1.0 billion (\$6.23 per share) from the \$852 million (\$5.22 per share) reported in 2000. Celestica contributed much of this growth through improved cash flow and acquisitions completed during 2001 and the second half of 2000.

The change in non-cash net working capital provided cash of \$1.5 billion in 2001 compared to cash used of \$826 million in 2000. Lower accounts receivable and inventory levels due to lower revenue growth or revenue declines across many of our operating companies resulted in the decrease in non-cash net working capital. Note 22 to the consolidated financial statements details the non-cash net working capital items by balance sheet line item.

Financing activities

Cash from financing activities was \$1.1 billion in 2001 compared to the \$3.9 billion reported in 2000. Celestica's issuance of 12 million subordinate voting shares from treasury accounted for essentially all the cash from financing activities during 2001. Included in 2000 financing activities were Onex' issuance of \$729 million of Celestica exchangeable debentures and \$2.2 billion in cash from Celestica's treasury offering of 16.6 million subordinate voting shares and its liquid yield option notes offering.

Investing activities

Cash used in investing activities totalled \$3.3 billion compared to \$2.7 billion in 2000. The increase was due primarily to cash used for acquisitions in 2001 relative to cash used for acquisitions in 2000. Note 2 to the consolidated financial statements discloses the amount of cash invested in each acquisition completed during 2001 and 2000. Table 12 on pages 18 and 19 provides details on the acquisitions completed in 2001 and 2000.

Cash used to purchase capital assets declined to \$651 million in 2001 from \$839 million in 2000. The decline was primarily attributable to reduced property, plant and equipment expenditures stemming from the economic downturn and the rationalization of facilities.

Cash flow from discontinued operations

Cash from discontinued operations totalled \$1.3 billion in 2001. The amount primarily represents the net proceeds from Onex' sale of its remaining 47 percent ownership interest in Sky Chefs to LSG.

Consolidated cash resources

At December 31, 2001, Onex had consolidated cash and short-term investments of approximately \$3.8 billion, of which Onex, the parent company, had approximately \$1.5 billion. Cash at Celestica accounted for most of the remaining balance.

Summary Quarterly Information

The following table summarizes Onex' key consolidated financial information for the last eight quarters.

2001						2000			
TABLE 16	(\$ millions except per share amounts)	Dec	Sept	June	Mar	Dec	Sept	June	Mar
Revenues		5,887	5,435	6,324	6,157	7,340	5,573	4,984	3,961
Earnings (loss) from continuing operations		12	23	(163)	(13)	(68)	46	3	172
Net earnings (loss)		12	23	747	16	(73)	52	37	172
Earnings (loss) per Subordinate Voting Share									
Basic:									
Continuing operations		0.07	0.14	(1.00)	(0.08)	(0.42)	0.28	0.03	1.05
Net earnings (loss)		0.07	0.14	4.65	0.10	(0.45)	0.32	0.23	1.05
Diluted:									
Continuing operations		0.07	0.13	(1.00)	(0.08)	(0.42)	0.26	0.02	0.98
Net earnings (loss)		0.07	0.13	4.65	0.10	(0.45)	0.29	0.21	0.98

Outlook

PARENT COMPANY

Onex enters 2002 with \$1.9 billion in cash and near cash items, excellent relationships in the North American banking and investment banking community, and an outstanding professional team eager to evaluate, acquire and build new platforms for growth. We believe we will see the bottom of the current economic downturn during the year and, with it, new opportunities for sizeable acquisitions that are worthy of thorough examination. We will also continue our support of organic and acquisition growth programs at our existing operating subsidiaries that will create new value for Onex shareholders. We will work closely with our companies to ensure that they maximize their opportunities for growth as the economy gathers strength.

In 2001, Onex invested a total of \$289 million in the senior debt of Loews Cineplex. It is our intent to convert this debt investment into an equity interest in Loews Cineplex, which would be accomplished through a court-approved bankruptcy process. With substantially reduced debt and a reconfigured portfolio of theatres, we expect Loews Cineplex to be a strong platform from which to build value. We anticipate the restructured Loews Cineplex will emerge from bankruptcy protection toward the end of the first quarter of 2002.

Early in 2002, Onex and other shareholders of Lantic Sugar exchanged all of the common shares of Lantic Sugar for units of Rogers Sugar Income Fund (the "Fund") and acquired additional units in the Fund. While the transaction is expected to enable increased income distributions to the unitholders, we believe it will also create a larger platform that will enable the combined Rogers Sugar and Lantic Sugar to diversify its markets and customers and obtain new financial flexibility for potential acquisitions.

Changes in Accounting Policy

Effective January 1, 2002, Onex adopted *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments", which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments.

The guidelines require that stock options settled by stock issuance be treated as capital transactions affecting the equity of the Company. Stock options settled by cash – the cash amount being the difference between the grant price and the market price at the time of exercise – must be treated as compensation expense. While we will evaluate how we settle each option transaction on an individual basis, our inclination in the past has been to settle most exercised options with cash. We believe it is appropriate, and in the best interests of shareholders, to absorb the stipulated charge to earnings by settling stock options for cash when Onex shares are trading below their intrinsic value. We are effectively buying the options' value at a discount to their intrinsic value, which is preferred to issuing stock at a discount. The rationale for this method of settlement is not unlike that for our ongoing Normal Course Issuer Bid program.

At December 31, 2001, Onex had nearly 13 million options on Subordinate Voting Shares outstanding. Approximately 58 percent of these have vested.

Under the new *CICA Handbook* guidelines, companies adopting the cash settlement method must revalue the options outstanding and deduct from earnings the increase in the market value of their shares, multiplied by the number of shares to be issued under options. Conversely, earnings would be increased for the reduction in market value of options. As a result, Onex may be subject to substantial swings in earnings, particularly during volatile stock market conditions, that have little to do with the actual operating performance of Onex and its operating companies. This new CICA guideline could lead to the rather

unusual situation that a decrease in the value of Onex' shares could provide an increase in earnings due to a reduction in value of the stock options outstanding.

In addition, under the Management Investment Plan (described in note 20(e) to the consolidated financial statements), the 5th investment rights issued may be settled through a cash payment for the net value of the rights. These rights issued under the Plan cannot be settled unless Onex has achieved the full amount of the relevant investment plus a 15 percent compound annual return in cash. However, the condition could arise that a charge to Onex' earnings would have to be recorded for the fair value of the liability for the investment rights. This may occur in advance of Onex being able to record in its earnings the increase in the value of the investment that gave rise to the rights having value. The value of the investment rights could under this new accounting policy result in some significant charges to Onex' reported earnings going forward. Previously, the cost of such investment rights was typically reported as a reduction of the gain recorded that gave rise to the investment rights being exercisable.

To implement this new accounting policy, the value at January 1, 2002 of outstanding vested stock options and the value of vested investment rights under the Management Investment Plan need to be determined. Those values would be charged against retained earnings as at January 1, 2002.

During the third quarter of 2001, Onex adopted new provisions mandated under *CICA Handbook* Section 1581, "Business Combinations" and Section 3062, "Goodwill and Other Intangible Assets". These require that only the purchase method of accounting be used for business combinations, and also require that goodwill no longer be amortized but instead be assessed for impairment annually. The provisions require that the value of shares issued in a business combination be measured using the average share price for a reasonable period of time before and after the date the terms of the acquisitions are agreed to and are announced.

Beginning January 1, 2002, Onex and its operating companies will discontinue amortizing all existing goodwill, and will evaluate existing intangible assets to identify those with indefinite useful lives from those with finite useful lives. Those with finite useful lives will continue to be amortized. Onex and its operating companies will also assess goodwill and intangible assets with indefinite useful lives as of January 1, 2002 for impairment in value in accordance with the methodology of this new accounting provision. Any writedown of goodwill due to value impairment will be charged to opening retained earnings as of January 1, 2002.

As of December 31, 2001, Onex' operating companies had a combined total of \$5.2 billion of unamortized goodwill on their balance sheets. Due to the rigorous effort required to meet the new provisions of *CICA Handbook* Sections 1581 and 3062, Onex' operating companies have not yet completed the assessment of the impact of these provisions on the financial statements, beyond the effect of discontinuing the amortization of goodwill. However, we believe there will be some writedown of goodwill in relation to one or more prior acquisitions that will be charged against retained earnings as of January 1, 2002.

OPERATING COMPANIES

Electronics Manufacturing Services

End market visibility continues to be limited for Celestica's information technology and communications customers as a result of overall global weakness in technology spending. With limited revenue visibility, the company has focused on improving working capital management, cost management and overall operating efficiency. The company's financial position is very strong, with a cash balance of \$2 billion at December 31, 2001 and minimal debt. In January 2002, Celestica announced an agreement to acquire two of NEC Corporation's advanced manufacturing facilities in Japan and the intent to enter into a five-year strategic supply agreement.

Customer Management Services

The outlook is for somewhat muted industry growth in 2002. Based on the pace of the company's revenue growth in the second half of 2001, ClientLogic believes that it will perform better than its market given its strategic direction and its new business prospects at year-end. Management of ClientLogic will focus on improving margins and operating leverage, and continue its tight management of working capital.

Automotive Products

Management of the automotive operating companies expects relatively little increase in OEM light vehicle production during 2002. Industry estimates are for production of 15 million units in each of North America and Europe. The automotive companies, which include Dura Automotive, J.L. French Automotive Castings and Performance Logistics Group, expect continuing pressure on suppliers to provide capital-intensive engineering and development services in addition to aggressive pricing on supply contracts. Onex believes its automotive supply companies are leaders within their industry segments. As such, they are well-positioned to weather the current downturn and possibly to gain market share from weaker competitors.

The outlook for heavy truck production in 2002 is not good. Further declines are expected in the first quarter of the year, followed by a slight rebound, for a total of about 135,000 Class 8 units in North America. Uncertainty also exists in the fourth quarter of 2002 regarding the short-term impact on the market and production volumes of new emission regulations in the United States that become effective on October 1, 2002. Onex' plan for Commercial Vehicle Systems, Bostrom and Trim Systems remains consistent, focused management. As these companies ride out the current cycle, they will continue to reduce costs, introduce new products and emphasize industry-leading quality. OEMs are already showing preference for stable suppliers capable of offering better overall service.

Engineered Building Products

MAGNATRAX expects that 2002 revenues and operating earnings will improve due to initiatives to increase sales and continuing emphasis on cost reduction. Early in 2002, a new CEO for MAGNATRAX was appointed. This individual has an excellent track record in lean manufacturing, quality enhancement and acquisition integration, as well as a demonstrated ability to lead an organization through substantial growth.

Other Businesses

Radian's outlook for growth in 2002 will depend upon the degree to which wireless telecommunications providers continue to expand their networks, and thus increase capital spending in North America. Radian is currently the industry leader in Canada and the company will be focusing on growing its market position in the United States.

InsLogic signed two major contracts in 2001, one of which began in 2001. The other will begin in 2002. Successfully implementing these contracts will be the company's primary focus in 2002. Management also intends to work with brand partners to drive production through the InsLogic platform while reducing InsLogic's overall cost of policy acquisition.

ONCAP's 2002 objective is to continue to invest in a combination of new opportunities and add-on investments with its existing portfolio of companies. With the visibility and success of its acquired platforms, more potential acquisitions are being presented to the company. ONCAP's available funds, strong banking relationships and professional team position it well for continuing success in the market for small- to medium-sized acquisitions.

Galaxy Entertainment management currently anticipates opening three new cinemas in 2002. Cornwall and Owen Sound, both in Ontario, are under construction and confirmed for a mid-year launch. Each will have seven screens. The company is also actively pursuing opportunities in other small- to mid-sized Canadian markets that are not serviced by a modern megaplex cinema.

Risk Management

As managers, it is our responsibility to identify and manage business risk.
As shareholders, we require an appropriate return for the risk we accept.

Managing risk

Onex' general approach to the management of risk is to apply common-sense business principles to the management of the Company and its operating subsidiaries, as well as to the acquisition of new businesses. Each year we conduct detailed reviews of many opportunities to purchase businesses, either in new sectors or as add-on acquisitions for existing businesses. Our primary interest is in acquiring well-managed companies with a strong position in growing industries. In addition, we maintain diversification among Onex' operating subsidiaries, which enables us to participate in the growth of a number of high-potential industries with varying business cycles.

An important aspect of diversification is to maintain a prudent balance among Onex' total assets. During 2000, for example, the performance and outlook for Celestica drove its market capitalization up substantially. While we concurred with the enthusiasm, prudence dictated that we limit some of our exposure to future changes in the value of Celestica by issuing debentures exchangeable into subordinate voting shares of Celestica for a portion of our interest in the company. This was to reduce the risk of having too great an extent of Onex' total worth committed to a single operating company. We remained committed to this prudent policy throughout 2001, though we took no further actions with regard to Celestica.

As a general rule, we attempt to arrange as many factors as possible to minimize risk without hampering our opportunity to maximize returns. When a purchase candidate meets Onex' criteria, for example, we typically pay a fair price, though not necessarily the lowest price, for a high-quality business. We do not commit all of our capital to a single acquisition and will often seek equity partners with whom we can share the risk of ownership. We do not burden

an acquired company with a potentially overwhelming amount of debt but seek to structure an acquisition so that it has the financial and operating leeway to create as much long-term growth in value as possible. Finally, we buy in financial partnership with management. This strategy not only gives Onex the benefit of experienced managers but also ensures that an operating subsidiary is run entrepreneurially for the benefit of all shareholders.

Onex maintains an active involvement with its operating subsidiaries, primarily in the areas of strategic planning, financial structures and negotiations, and acquisitions. We encourage them to reduce risk and/or expand opportunity by diversifying their customer bases, broadening their geographic reach or product and service offerings, and improving productivity. In certain instances, we may also encourage a subsidiary to seek additional equity in the public markets in order to continue its growth without eroding its balance sheet. One element of this approach may be, when financial markets are favourable, to pre-pay existing debt and absorb related penalties with the proceeds from new equity investment.

Specific strategies and policies to manage business risk at Onex and its subsidiaries are discussed below.

Business cycles

Diversification by industry and geography is a deliberate strategy at Onex to reduce the risk inherent in business cycles. Our practice of owning companies in various industries with differing business cycles reduces the risk attendant on holding a major portion of Onex' assets in just one or two industries. Similarly, the Company's focus on building industry leaders with extensive international operations reduces the financial impact of downturns in specific regions.

Operating liquidity

It is our view that one of the most important things Onex can do to control risk is to maintain a strong parent company with an appropriate level of liquidity. Onex needs to be in a position to support its operating companies when and if appropriate and to take advantage of acquisition opportunities quickly. Maintaining liquidity is important because Onex, as a holding company, generally does not have guaranteed sources of meaningful cash flow.

In completing acquisitions, it is generally Onex' policy to finance a large portion of the purchase price with debt provided by third-party lenders. This debt is assumed by the company acquired and is without recourse to Onex, the parent company, its subsidiaries or partnerships. The foremost consideration, however, in developing a financing structure for an acquisition is identifying the appropriate amount of equity to invest. In Onex' view, that is the amount of equity which maximizes the risk/reward equation for both Onex and the acquired company. In other words, it allows the acquired company to not only manage its debt but also to have significant financial latitude for the business to vigorously pursue its growth objectives.

While we seek to maximize the risk/reward equation in all acquisitions, there is the risk that the acquired company will not generate sufficient profitability or cash flow to service its debt requirements. If such circumstances arise, the recovery of Onex' equity and any other investment in that subsidiary is at risk.

Interest rate risk

As noted above, Onex generally finances a significant portion of its acquisitions with debt taken on by the acquired subsidiary. An important element in controlling risk is to manage, to the extent possible, the impact of fluctuations in the interest rate on the debt of the subsidiary company.

It has generally been Onex' policy to either fix the interest of the term debt at the time it is entered

into or to minimize the effect of interest rate increases on a major portion of the debt. This is achieved by taking on debt at fixed interest rates and entering into interest rate swap agreements or financial contracts to control the level of interest rate fluctuation.

The risk inherent in such a strategy is that, should interest rates decline, the benefit of such declines may not be obtainable or may only be achieved at the cost of penalties to terminate existing arrangements. There is also the risk the counter-party on an interest rate swap agreement may not be able to meet its commitments. Guidelines are in place which specify the nature of financial institutions that the operating companies can deal with on these interest rate contracts.

At the end of 2001 approximately 41 percent of Onex' consolidated long-term debt was at fixed rates and an additional approximately 21 percent had contracts in place to fix interest rates.

Currency fluctuations

The majority of the operations of Onex' subsidiary companies were conducted outside Canada during 2001. As discussed, approximately 43 percent of consolidated revenues and 35 percent of consolidated assets were in the United States. Approximately 38 percent of consolidated revenues were from outside North America.

Onex' results are reported in Canadian dollars, and fluctuations in the value of the Canadian dollar relative to other currencies can have an impact on Onex' reported results and consolidated financial position. During 2001, there was a net increase in shareholders' equity of \$82 million, reflecting the increase in the Canadian-dollar value of Onex' net equity in those operating companies that operate in U.S. currency.

Onex holds a substantial amount of cash and marketable securities in U.S.-dollar-denominated securities. The portion of securities held in U.S. dollars is based upon Onex' view of funds it will require for

future investments in the United States. Onex does not speculate on the direction of exchange rates between Canadian and U.S. dollars when determining the balance of cash and marketable securities to hold in each currency, nor does it use foreign exchange contracts to protect itself against translation loss.

Commodity prices

Certain of Onex' operating subsidiaries are vulnerable to price fluctuations in major commodities.

Lantic Sugar minimizes exposure to fluctuating sugar prices with raw sugar purchase contracts that allow physical sugar purchase costs to be fixed simultaneously with the contracts the company enters into for the sale of refined sugar.

Celestica purchases a significant volume of electronic components that could be viewed as commodities in nature and subject to fluctuations in price. Celestica manages its exposure in this area by purchasing components only for specific customer contracts, and by having those sale contracts include terms or pricing provisions that pass any product cost fluctuations on to the customer.

Significant customers

Onex has acquired major subsidiaries and divisions of large companies. As part of these purchases, the acquired company has often continued to supply its former owner through long-term supply arrangements. It has been Onex' policy to encourage its operating subsidiaries to grow quickly to achieve diversification of their customer bases to the extent practicable in order to manage the risk associated with serving a single major customer. Celestica primarily relied on one major customer at the time of its acquisition by Onex; the company now has a broadly diversified and global base of significant customers.

Most Onex companies have major customers that represent more than 10 percent of annual revenues. The table in note 19 to the consolidated financial statements provides information on the operating companies' major customers.

Environmental considerations

Onex Corporation has a comprehensive environmental protection policy that has been adopted by its operating companies. Senior officers of each of these companies are ultimately responsible for ensuring compliance with this policy. They are required to report annually to their company's board of directors and to Onex regarding compliance with this policy.

Environmental management by the operating companies is accomplished through the education of employees about environmental regulations and appropriate operating policies and procedures; site inspections by environmental consultants; the addition of proper equipment or the modification of existing equipment to reduce or eliminate environmental hazards; remediation activities as required; and ongoing waste reduction and recycling programs. Environmental consultants are engaged to advise on current and upcoming environmental regulatory requirements that may be applicable.

Most of the operating companies are involved in the remediation of particular environmental situations such as soil contamination. In almost all cases, these situations occurred prior to Onex' acquisition of those companies. The estimated costs of remedial work and related activities are to be provided for either under agreement by the vendor of the company or through provisions established at the time of acquisition. Manufacturing activities carry the inherent risk that changing environmental regulations may identify additional situations requiring capital expenditures or remedial work, and associated costs to meet those regulations.

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and in other sections of this report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies which management believes are appropriate for the Company are described in note 1 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee of three non-management Directors is appointed by the Board.

The Audit Committee reviews the consolidated financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external auditors, who are appointed by the holders of the Subordinate Voting Shares, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.



Ewout R. Heersink
Chief Financial Officer
February 14, 2002



Donald W. Lewtas
Vice President

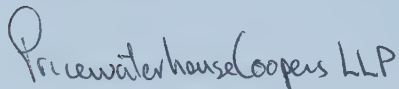
Auditors' Report

To the Shareholders of Onex Corporation:

We have audited the consolidated balance sheets of Onex Corporation as at December 31, 2001 and 2000 and the consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Canada

February 14, 2002

Consolidated Balance Sheets

As at December 31 <i>(in millions of dollars)</i>	2001	2000
Assets		
Current assets		
Cash and short-term investments	\$ 3,780	\$ 2,229
Accounts receivable	2,786	4,071
Inventories (note 5)	2,730	3,036
Other current assets	730	718
	10,026	10,054
Property, plant and equipment (note 6)	3,550	3,267
Investments and other assets (note 7)	1,180	1,221
Goodwill and intangible assets (note 8)	6,114	5,177
	\$ 20,870	\$ 19,719
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness, without recourse to Onex	\$ 76	\$ 48
Accounts payable and accrued liabilities	4,340	5,395
Current portion of long-term debt and obligations under capital leases of subsidiaries, without recourse to Onex	360	400
	4,776	5,843
Long-term debt of subsidiaries, without recourse to Onex (note 9)	4,038	4,864
Obligations under capital leases, without recourse to Onex (note 10)	38	98
Exchangeable debentures (note 11)	590	746
Future income taxes (note 16)	938	481
Other liabilities	525	583
	10,905	12,615
Non-controlling interests	7,746	5,673
Shareholders' equity	2,219	1,431
	\$ 20,870	\$ 19,719

Commitments and contingencies are reported in notes 10 and 20.

Signed on behalf of the Board of Directors



Director



Director

Consolidated Statements of Earnings

Year ended December 31 <i>(in millions of dollars except per share data)</i>	2001	2000
Revenues	\$ 23,803	\$ 21,858
Earnings Before the Undernoted Items	\$ 1,650	\$ 1,413
Amortization of property, plant and equipment	(621)	(403)
Amortization of goodwill, intangible assets and deferred charges	(361)	(287)
Interest expense of operating companies (note 13)	(440)	(409)
Interest and other income	125	119
Gains on shares of operating companies, net (note 4)	164	209
	517	642
Acquisition, restructuring and other expenses (note 14)	(474)	(42)
Writedown of goodwill and intangible assets		
by operating companies (note 15)	(427)	(22)
Earnings (loss) before income taxes and non-controlling interests	(384)	578
Provision for income taxes (note 16)	(10)	(173)
Non-controlling interests of operating companies	253	(252)
Earnings (loss) from continuing operations	(141)	153
Earnings from discontinued operations (note 3)	939	35
Net Earnings for the Year	\$ 798	\$ 188
Net Earnings (Loss) per Subordinate Voting Share (note 17)		
Basic:		
Continuing operations	\$ (0.88)	\$ 0.94
Discontinued operations	\$ 5.83	\$ 0.21
Net earnings	\$ 4.95	\$ 1.15
Diluted:		
Continuing operations	\$ (0.88)	\$ 0.87
Discontinued operations	\$ 5.83	\$ 0.20
Net earnings	\$ 4.95	\$ 1.07

Consolidated Statements of Shareholders' Equity

<i>(in millions of dollars except per share data)</i>	Share Capital (note 12)	Retained Earnings (note 12)	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance – December 31, 1999	\$ 669	\$ 602	\$ 7	\$ 1,278
Changes in accounting policies ^(a)	–	(9)	–	(9)
Dividends declared	–	(18)	–	(18)
Issue of shares – dividend reinvestment plan	3	–	–	3
Stock options surrendered or exercised	–	(7)	–	(7)
Purchase and cancellation of shares	(7)	(28)	–	(35)
Currency translation adjustment	–	–	31	31
Net earnings for the year	–	188	–	188
Balance – December 31, 2000	665	728	38	1,431
Dividends declared	–	(18)	–	(18)
Issue of shares – dividend reinvestment plan	3	–	–	3
Stock options surrendered or exercised	–	(38)	–	(38)
Purchase and cancellation of shares	(9)	(30)	–	(39)
Currency translation adjustment	–	–	82	82
Net earnings for the year	–	798	–	798
Balance – December 31, 2001	\$ 659	\$ 1,440	\$ 120	\$ 2,219

(a) Adoption of the *CICA Handbook* Sections for "Income Taxes" (note 16) and "Employee Future Benefits" (note 21) that became effective January 1, 2000.

Dividends declared per Subordinate Voting Share were \$0.11 (2000 – \$0.11) after giving effect for the two-for-one stock split on June 1, 2000 on a retroactive basis.

Consolidated Statements of Cash Flows

Year ended December 31 <i>(in millions of dollars)</i>	2001	2000
Operating Activities		
Net earnings (loss) from continuing operations	\$ (141)	\$ 153
Items not affecting cash:		
Amortization of property, plant and equipment	621	403
Amortization of goodwill, intangible assets and deferred charges	361	287
Writedown of goodwill and intangible assets by operating companies	427	22
Non-cash component of acquisition, restructuring and other expenses	154	-
Non-controlling interests in results of operating companies	(253)	252
Future income taxes	(58)	6
Gains on shares of operating companies, net (note 4)	(164)	(209)
Other	56	(62)
	1,003	852
Decrease in other liabilities	(41)	(85)
Decrease (increase) in non-cash net working capital related to operations (note 22)	1,537	(826)
	2,499	(59)
Financing Activities		
Issuance of long-term debt	1,491	2,848
Repayment of long-term debt	(1,643)	(2,418)
Issuance of exchangeable debentures (note 11)	-	729
Dividends paid by subsidiaries	-	(10)
Cash dividends paid	(15)	(15)
Repurchase of share capital	(39)	(35)
Issuance of share capital by subsidiaries	1,242	2,793
Increase in other financing activities	28	24
	1,064	3,916
Investing Activities		
Acquisition of operating companies, net of cash in acquired companies of \$372 (2000 – \$236) (note 2)	(2,496)	(1,831)
Purchase of property, plant and equipment	(651)	(839)
Proceeds from sales of shares of operating companies	-	21
Net increase in investments and other assets	(118)	(4)
	(3,265)	(2,653)
Cash from discontinued operations (note 3)	1,253	2
Increase in Cash and Short-term Investments for the Year	1,551	1,206
Cash and short-term investments – beginning of the year	2,229	1,023
Cash and Short-term Investments – End of the Year	\$ 3,780	\$ 2,229

The increase in cash and short-term investments is after a \$146 unrealized foreign exchange gain on cash equivalents in 2001 and a \$41 unrealized foreign exchange gain in 2000.

Notes to Consolidated Financial Statements

(in millions of dollars except per share data)

Onex Corporation ("Onex" or the "Company") is a diversified company whose subsidiaries operate as autonomous businesses. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

The principal operating companies and the Company's ownership and voting interests for consolidated entities are as follows:

	December 31, 2001		December 31, 2000	
	Ownership	Voting	Ownership	Voting
Celestica	18%	84%	20%	86%
ClientLogic	70%	87%	70%	87%
Dura Automotive	8%	68%	8%	70%
J.L. French				
Automotive Castings	37%	81%	37%	81%
Performance				
Logistics Group	49%	100%	49%	100%
Commercial				
Vehicle Systems	45%	100%	45%	100%
Bostrom	52%	100%	52%	100%
Trim Systems	77%	100%	34%	50%
MAGNATRAX	53%	80%	53%	80%
Radian	73%	81%	–	–
Lantic Sugar	61%	75%	61%	75%
InsLogic	55%	65%	49%	63%
ONCAP	25%	100%	25%	100%
Galaxy Entertainment	67%	73%	67%	73%
Vencap	99%	100%	99%	100%
Sky Chefs				
[including Caterair]	–	–	47%	54%

The ownership percentages are before the effect of any potential dilution relating to the Management Investment Plan as described in note 20.

The above percentages for Celestica Inc. ("Celestica") exclude the dilutive effect of the exchangeable debentures and forward agreements as described in notes 11 and 18, the effect of which would reduce the above ownership and voting percentages to 13% (2000 – 15%) and 78% (2000 – 80%), respectively.

The voting interest includes shares which Onex has the right to vote through contractual arrangements or through multiple voting rights attached to particular shares. In certain circumstances, the voting arrangements give Onex only the right to elect the majority of the Board of Directors.

In addition to the above, Onex exercises significant influence over, but does not control, Cypress Holdings, Inc., which is accounted for by the equity method.

Other investments are accounted for at cost unless it is determined by management that a permanent impairment in value has occurred, at which point a provision is recorded.

SIGNIFICANT ACCOUNTING POLICIES

Cash and short-term investments

Cash and short-term investments consist of liquid investments such as term deposits, money market instruments and commercial paper carried at the lower of cost or quoted market value.

Inventories

Inventories are recorded at the lower of cost and replacement cost for raw materials, and at the lower of cost and net realizable value for work in process and finished goods. For substantially all inventories, cost is determined on a first-in, first-out basis. In the normal course of business, an operating company may enter into commodities futures contracts and options on futures markets for the purpose of hedging its inventory and related purchase and sale commitments. These futures contracts and options are accounted for as hedges and, accordingly, all hedging gains and losses on inventories and sales contracts are recognized in cost of sales as part of the product cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets: 10 to 40 years for buildings, and up to 35 years for machinery and equipment. The cost of plant and equipment is reduced by applicable investment tax credits.

Leasehold improvements are amortized over the terms of the leases.

Leases that transfer substantially all the risks and benefits of ownership are recorded as capital leases. Buildings and equipment under capital leases are amortized over the

shorter of the term of the lease or the estimated useful life of the asset. Amortization of assets under capital leases is on a straight-line basis.

Foreign currency translation

The Company's operations conducted in foreign currencies, other than those operations which are associated with investment-holding subsidiaries, are considered to be self-sustaining operations. Assets and liabilities of self-sustaining operations conducted in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year. Unrealized gains or losses on translation of self-sustaining operations conducted in foreign currencies are shown as a separate component of shareholders' equity. The Company, including investment-holding subsidiaries, translates monetary assets and liabilities denominated in foreign currencies at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year.

The Company and its operating subsidiaries enter into forward foreign exchange contracts to hedge certain firm purchase or sale commitments. Gains or losses on hedges of firm commitments are included in the basis of the hedged transactions when they occur.

Income taxes

Income taxes are recorded using the asset and liability method of income tax allocation. Under this method, assets and liabilities are recorded for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. These future income tax assets and liabilities are recorded using substantively enacted income tax rates. The effect of a change in income tax rates on these future income tax assets or liabilities is included in income in the period in which the change occurs.

Pension and non-pension post-retirement benefits

The operating subsidiary companies accrue their obligations under employee benefit plans and related costs, net of plan assets. The costs of pensions and other retirement benefits earned by employees are accrued in the period incurred and are actuarially determined based on management's best estimates of items, including expected plan investment

performance, salary escalation, retirement ages of employees and expected health care costs. The discount rate used to calculate the interest cost on the accrued benefit obligation is the long-term rate at the balance sheet date. Plan assets are valued at fair market value for the purposes of calculating expected return on those assets. Past service costs from plan amendments are amortized over the average remaining service period of employees active at the date of amendment.

Goodwill and intangible assets

During the third quarter of 2001, the Company adopted the *Canadian Institute of Chartered Accountants ("CICA") Handbook* Section 1581, "Business Combinations", which requires all business combinations initiated after July 1, 2001 to be accounted for using the purchase method. In addition, any goodwill and intangible assets with indefinite useful lives acquired in a business combination after July 1, 2001 are to be accounted for under *CICA Handbook* Section 3062, "Goodwill and Other Intangible Assets". This section requires that goodwill and intangible assets with indefinite useful lives not be amortized. Their fair value is to be assessed periodically and written down for any impairment. This treatment will be applied to all existing goodwill and intangible assets with indefinite useful lives for fiscal years beginning January 1, 2002. Because of the extensive effort required to comply with the remaining provisions of Sections 1581 and 3062, the Company has not estimated the impact of these provisions on its financial statements, beyond discontinuing goodwill amortization.

Goodwill represents the cost of investments in subsidiaries in excess of the fair value of the net identifiable assets acquired. Goodwill for acquisitions made prior to July 1, 2001 is amortized up to December 31, 2001 using the straight-line method over the estimated periods of related benefit, which range from five to 40 years. The weighted average period of amortization at December 31, 2001 was approximately 29 years (2000 – 34 years).

Intangible assets, including intellectual property, are recorded at their allocated cost at the date of acquisition of the related operating companies. Amortization is provided for all intangible assets, including intellectual property, on a straight-line basis over their estimated useful lives, ranging from five to 25 years. The weighted average period of amortization at December 31, 2001 was approximately six years (2000 – nine years).

The recoverability of goodwill and intangible assets is assessed annually. An impairment in the value of these assets is recognized if estimated future cash flows generated by acquired businesses are determined to be insufficient to recover goodwill or intangible assets.

Exchangeable debentures

The carrying amount of the Company's exchangeable debentures is based on the market price, at the balance sheet date, of the underlying Celestica shares that would have satisfied the debenture liability if the debentures had been exchanged or Onex had elected to settle with Celestica shares on December 31, 2001.

Each issue of exchangeable debentures is exchangeable for Celestica shares based on a fixed conversion factor determined at the date the debentures were issued or, at the option of the Company, it may deliver the cash equivalent based on the market price of the shares at the time of exchange, or a combination of shares and cash.

As it is contemplated that the underlying Celestica shares will be transferred by Onex to the exchangeable debenture holders to satisfy the entire liability, hedge accounting is used. Accordingly, the difference between the carrying amount (market value) and the original issue amount of the exchangeable debentures is recorded as a deferred amount until such time as there is a redemption or maturity of the exchangeable debentures, when a realized gain or loss on the exchange will be recorded.

Deferred charges

Costs incurred by the operating subsidiary companies relating to the issuance of debt are deferred and amortized over the term of the related debt or as the debt is retired. Other deferred charges, such as pension assets and direct incremental expenses incurred on business acquisitions, are amortized over various periods reflecting their estimated useful lives.

Other liabilities

Other liabilities include the non-current portion of pension liabilities and other compensation benefits as well as accrued transition, integration and termination costs primarily related to acquisitions.

Earnings per share

Commencing January 1, 2001, the Company adopted retroactively *CICA Handbook* Section 3500, "Earnings Per Share", which requires the use of the treasury stock method for calculating diluted earnings per share. Previously, the imputed earnings approach of calculating diluted earnings per share was used. Comparative diluted earnings per share have been restated to reflect this change.

Revenue recognition

Revenue is principally comprised of product sales and service revenue. Revenue from product sales is recognized upon delivery of the goods, while service revenue is recognized as services are performed.

Research and development

Costs incurred on activities that relate to research and development are expensed as incurred unless development costs meet certain criteria for capitalization. Total research and development costs expensed for 2001 were \$50 (2000 – \$29). No amounts have been capitalized.

Stock-based compensation

The Company has a stock-based compensation plan which is described in note 12 and a Management Investment Plan ("MIP") described in note 20(e). No compensation expense is recognized under the Stock Option Plan or the MIP when stock options or investment rights under the MIP are granted to employees or directors, as they have no intrinsic value. Consideration paid by employees or directors on the exercise of stock options is credited to Subordinate Voting Shares. When an option is exercised, the employee has the right to request that the Company repurchase the option for an amount equal to the difference between the fair value of the stock under the option and its exercise price. Upon receipt of such request, the Company has the right to settle its obligation to the employee by the payment of cash, the issuance of shares or a combination of cash and shares.

In December 2001, *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based Payments", established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided

by employees and non-employees. The standards require that a fair value-based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments. This standard is effective for the Company's fiscal year beginning January 1, 2002 for awards granted on or after that date.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative amounts

Certain amounts presented in the prior year have been reclassified to conform to the presentation adopted in the current year.

2. CORPORATE INVESTMENTS

During 2001 and 2000 several acquisitions, which were accounted for as purchases, were completed either directly by Onex or through subsidiaries of Onex. Any third-party borrowings in respect of acquisitions are without recourse to Onex.

2001 ACQUISITIONS

a) Celestica

During 2001 Celestica completed a number of acquisitions. In January 2001 the company acquired Excel Electronics, Inc., located in Texas, United States, and in February 2001 acquired certain assets located in Ireland and Iowa, United States from Motorola, Inc. In March 2001 certain assets of a repair facility in Japan were acquired from N.K. Techno Co., Ltd. In May 2001 Celestica acquired certain assets from Avaya Inc. located in Arkansas and Colorado, United States and France. In June 2001 Sagem CR s.r.o., located in the Czech Republic, was acquired from Sagem SA of France. In August 2001 Celestica acquired from Lucent Technologies Inc. certain assets located in Ohio and Oklahoma, United States. Also in August 2001 the

company acquired Primetech Electronics Inc. ("Primetech") located in Quebec, Canada. The company issued approximately 3.4 million subordinate voting shares of Celestica as well as options to purchase approximately 0.3 million subordinate voting shares of Celestica. The share consideration was valued based on the average market share price for a reasonable period before and after the date on which the terms of the acquisition were agreed to and announced. In October 2001 the company acquired Omni Industries Limited ("Omni"), an electronics manufacturer headquartered in Singapore. The purchase price was financed with the issuance of approximately 9.2 million subordinate voting shares of Celestica as well as approximately 0.3 million options. The aggregate purchase price of \$2,997 for these acquisitions was funded with \$2,111 of cash on hand at Celestica and through the issuance of Celestica shares valued at \$886.

b) Radian Communication Services Corporation

Onex completed the acquisition of LeBlanc Ltd. and BMS Communications Services Ltd. effective January 2001 and subsequently changed the name of the combined business to Radian Communication Services Corporation ("Radian"). Radian, headquartered in Ontario, Canada, is a leading full-service wireless infrastructure provider in Canada. The company's services include network design, installation and management, as well as tower engineering and construction. Of the total purchase price of \$98, Onex has invested \$72 for a 73% ownership interest. Onex has voting control of Radian.

c) ONCAP

During 2001 ONCAP, Onex' small-cap fund, successfully completed two acquisitions. In April 2001 ONCAP acquired the majority of the common shares of BAE SYSTEMS CANADA INC., and renamed the business CMC Electronics Inc. ("CMC"). CMC, headquartered in Quebec, Canada, is a designer, manufacturer and marketer of high-technology electronic products for the aerospace industry. In August 2001 ONCAP completed the acquisition of Armtec Limited ("Armtec") from Onex' subsidiary MAGNATRAX Corporation ("MAGNATRAX"). This sale was part of MAGNATRAX' strategy to divest non-core assets, and was completed through an auction process. Armtec, headquartered in Ontario, Canada, is a leading manufacturer and distributor of steel and plastic products, and a provider of engineered solutions primarily to the

Canadian civil engineering industry. The aggregate purchase price of \$674 for both acquisitions was financed with \$247 of third-party borrowings, without recourse to Onex, \$163 through the issuance of equity and \$264 of cash on hand. ONCAP invested \$98 in the equity of these acquired operations, of which Onex' share was \$24. Onex invested a further \$46 in the equity of CMC for an initial combined ownership interest of 43%. Onex has indirect voting control of both CMC and Armtec.

d) The results of operations for all acquired operations are included in the consolidated earnings of the Company from their respective dates of acquisition. Certain acquisitions

completed in 2001 have provisions whereby the sellers may receive additional consideration if the acquired companies achieve performance targets. Contingent consideration would be recorded as an adjustment to the purchase price if and when paid.

The cost of acquisitions made during the year includes restructuring and integration costs of \$9. As at December 31, 2001, accounts payable and accrued liabilities include \$62 in respect of these and earlier acquisitions.

Details of the 2001 acquisitions, which are all accounted for as purchases, are as follows:

2001 Acquisitions

	Celestica ^(a)	Radian ^(b)	ONCAP ^(c)
Cash	\$ 97	\$ 11	\$ 264
Current assets	1,088	43	232
Goodwill	1,406	73	165
Other intangibles	396	–	127
Property, plant and equipment and other long-term assets	544	15	152
	3,531	142	940
Current liabilities	(484)	(32)	(178)
Other long-term liabilities	(50)	(12)	(88)
Acquisition financing	–	–	(247)
	2,997	98	427
Non-controlling interests in net assets	(886)	(15)	(26)
Interest in net assets acquired	\$ 2,111	\$ 83	\$ 401
Goodwill amortization period (in years) (note1)	10	20	20

2000 ACQUISITIONS

a) Celestica

During 2000 Celestica completed acquisitions that broadened its international operations, range of services and relationships with key customers. Celestica furthered its supply relationship with IBM through the February 2000 purchase of IBM's electronic card assembly operation in Minnesota, United States and the May 2000 purchase of IBM's printed circuit board and system assembly operations in Italy. In June 2000 Celestica acquired from NEC the shares of NDB Industrial Ltda., an NEC communications network equipment manufacturing operation in Brazil. In August 2000 Celestica acquired all of the shares of Bull Electronics, Inc., a contract manufacturer located in Massachusetts, United States.

In November 2000 Celestica acquired all of the shares of NEC Technologies (UK) Ltd., a cellular phone handset manufacturing facility headquartered in the United Kingdom. The aggregate purchase price of \$950 for these acquisitions was funded with cash on hand at Celestica.

b) ClientLogic

In October 2000 ClientLogic Corporation ("ClientLogic") acquired all of the common shares of ACS TeleServices, Inc. ("ACS"). Located in North Carolina, United States, ACS is a provider of integrated customer relationship management services. The total purchase price of \$33 was financed through the issuance of common shares of ClientLogic valued at a total of \$30, and \$3 of cash. Onex retained voting control of ClientLogic.

c) Dura Automotive

In January 2000 Dura Automotive Systems, Inc. ("Dura Automotive") purchased the jack division of Ausco Products, Inc. ("Ausco"), located in Michigan, United States. Ausco produces automotive jacks primarily for North American automotive original equipment manufacturers ("OEMs"). Dura Automotive acquired Reiche GmbH & Co. KG Automotive Components in November 2000. The company is a manufacturer of steering columns for European and North American OEMs. The aggregate purchase price for these acquisitions was \$32, which was financed by borrowings under Dura Automotive's existing credit facilities.

d) J.L. French

In March 2000 J.L. French Automotive Castings, Inc. ("J.L. French") acquired Shoreline Industries, Inc., a manufacturer of high-pressure aluminum die-cast components principally for the automotive industry, located in Michigan, United States. The total purchase price of \$9 was financed with cash resources from J.L. French.

e) Performance Logistics Group

In May 2000 Performance Logistics Group, Inc. ("PLG") acquired E. and L. Transport Company LLC ("E&L"). E&L, headquartered in Michigan, United States, transports automobiles and light trucks from manufacturing facilities to automobile dealerships in the midwestern United States. The total purchase price of \$134 was financed with \$104 of third-party borrowings, without recourse to Onex, and \$30 raised through the issuance of shares of PLG. Onex invested \$13 in the equity of PLG as part of the share offering. Onex retained voting control of PLG.

f) Commercial Vehicle Systems

In March 2000 Onex completed the acquisition of Commercial Vehicle Systems, Inc. ("CVS"), headquartered in North Carolina, United States. CVS is a leading manufacturer and supplier of wiper, mirror and control systems for the North American medium- and heavy-duty commercial vehicle markets. The total purchase price of \$125 was financed with \$86 of third-party borrowings, without recourse to Onex, and \$39 raised through the issuance of equity of CVS. Onex invested \$17 in the equity for a 45% ownership interest. Onex has voting control of CVS.

g) Bostrom

In October 2000 Onex acquired Bostrom plc ("Bostrom"), a United Kingdom-based manufacturer of seats for the heavy truck, construction and agricultural vehicle markets. The total purchase price for the company was \$123, financed with \$72 of third-party borrowings, without recourse to Onex, and \$51 raised through the issuance of equity in Bostrom. Onex invested \$26 in the equity for a 52% equity ownership. Onex has voting control of Bostrom.

h) MAGNATRAX

In March 2000 MAGNATRAX Corporation ("MAGNATRAX") acquired all of the outstanding common shares of Jannock Limited ("Jannock"), headquartered in Ontario, Canada. Jannock manufactures and distributes metal building systems and products for the North American construction market. The total purchase price of \$635 was financed with \$274 of third-party borrowings, without recourse to Onex, \$147 from third-party equity investors and \$214 of equity issued by MAGNATRAX, of which Onex invested \$71. Onex retained voting control of MAGNATRAX.

i) ONCAP

During 2000, the Company invested \$8 in ONCAP. In January 2000 ONCAP made an investment in EnSource Industries Inc. ("EnSource"). EnSource, headquartered in Alberta, Canada, is a provider of engineered oil and gas processing equipment as well as an electrical and instrumentation contractor. In November 2000 EnSource completed a reverse takeover of Enhanced Energy Services Ltd. ("Enhanced"), a Canadian public company trading on the Canadian Venture Exchange and headquartered in Alberta, Canada. Enhanced is a provider of specialized equipment for natural gas producers. The aggregate purchase price of \$55 for these acquisitions was funded with cash on hand at ONCAP and with \$42 from third-party equity investors.

j) Sky Chefs

During 2000 Onex Food Services, Inc. ("Sky Chefs") completed a number of acquisitions through an affiliated company that expanded its home meal replacement business. In January 2000 Orval Kent Holding Company, Inc. ("Orval Kent") was purchased. Located in Illinois, United States, Orval Kent is a nationwide provider of refrigerated prepared foods. LBI Holdings, Inc. ("Pennant Foods"), a manufacturer and distributor of bakery products headquartered in Illinois, United States, was purchased in September 2000. In December 2000 La Francaise Bakery Inc. ("La Francaise") was acquired. La Francaise produces premium-quality bakery products and is located in Illinois, United States. The aggregate purchase price for these acquisitions of \$353 was funded with borrowings under Sky Chefs' facilities.

k) The results of operations for all acquired operations are included in the consolidated earnings of the Company from their respective dates of acquisition. Certain acquisitions completed in 2000 have provisions whereby the sellers may receive additional consideration if the acquired companies achieve performance targets. Contingent consideration would be recorded as an adjustment to the purchase price if and when paid.

The cost of acquisitions made during the year includes restructuring and integration costs of \$37. As at December 31, 2000, accounts payable and accrued liabilities include \$21 in respect of these and earlier acquisitions.

Details of the 2000 acquisitions, all of which are accounted for as purchases, are as follows:

2000 Acquisitions

	Celestica ^(a)	ClientLogic ^(b)	Dura Automotive ^(c)	J.L. French ^(d)	PLG ^(e)	CVS ^(f)	Bostrom ^(g)	MAGNATRAX ^(h)	ONCAP ⁽ⁱ⁾	Sky Chefs ^(j)
Cash	\$ 8	\$ -	\$ 2	\$ -	\$ 8	\$ -	\$ 2	\$ 216	\$ -	\$ -
Current assets	568	6	26	2	19	40	61	180	58	77
Goodwill	188	1	41	5	75	92	74	292	27	268
Property, plant and equipment and other long-term assets	459	27	21	3	56	18	39	99	33	129
	1,223	34	90	10	158	150	176	787	118	474
Current liabilities	(191)	(1)	(27)	(1)	(24)	(21)	(39)	(140)	(52)	(121)
Other long-term liabilities	(82)	-	(31)	-	-	(4)	(14)	(12)	(11)	-
Acquisition financing	-	-	-	-	(104)	(86)	(72)	(274)	-	-
	950	33	32	9	30	39	51	361	55	353
Non-controlling interests in net assets	-	(30)	-	-	-	-	-	(147)	(42)	-
Interest in net assets acquired	\$ 950	\$ 3	\$ 32	\$ 9	\$ 30	\$ 39	\$ 51	\$ 214	\$ 13	\$ 353
Goodwill amortization period (in years)	10	5	40	40	40	40	40	40	20	25

In addition, certain interests in Celestica held by management under the terms of the Management Investment Plan were effectively purchased in 2000 for the market value of \$60, increasing Onex' ownership from 19% to 20% at that time.

3. EARNINGS FROM DISCONTINUED OPERATIONS

On June 1, 2001 Onex sold its remaining interest in Sky Chefs. The proceeds from the sale combined with the March 2001 earn-out of \$45 from a prior sale of shares amounted to \$1,333. The gain on the disposition of the shares amounted to \$1,305 before a tax provision of \$361. Onex' share of the net loss of Sky Chefs in 2001 up to the date of the sale amounted to \$5. This resulted in net earnings from discontinued operations in 2001 of \$939 (2000 – \$35).

Under the terms of the Management Investment Plans (collectively, the "MIP") as described in note 20(e), management members participated in the realizations the Company achieved on Sky Chefs. Allocations on account of the Sky Chefs sale related to the MIP amounted to \$84. The earnings from discontinued operations are after the deduction of this amount.

The comparative consolidated statement of earnings and statement of cash flows for the year ended December 31, 2000 have been reclassified from those previously reported to show the results of Sky Chefs as discontinued. Sky Chefs' revenues of \$2,673 in 2000 have been excluded from consolidated revenues.

The following amounts for discontinued operations of Sky Chefs are included in the December 31, 2000 consolidated balance sheet:

Cash and short-term investments	\$ 80
Accounts receivable	265
Inventories	50
Property, plant and equipment	449
Goodwill and other intangible assets	714
Other assets	319
Accounts payable and accrued liabilities	(475)
Current and long-term debt, without recourse to Onex	(1,094)
Other liabilities and non-controlling interest	(276)
Net assets of discontinued operations	\$ 32

Cash from (used for) discontinued operations of Sky Chefs in the December 31, 2000 consolidated statement of cash flows was as follows:

Operating activities	\$ 62
Financing activities	395
Investing activities	(455)
Cash from discontinued operations	\$ 2

4. GAINS ON SHARES OF OPERATING COMPANIES, NET

During 2001 and 2000 Onex completed a number of unrelated transactions by selling or taking public all or a portion of its ownership interests in certain companies. The major transactions and the resulting pre-tax gains are summarized and described as follows:

	2001	2000
Gain on:		
Issue of shares by Celestica ^[a]	\$ 218	\$ 158
Issue of shares by ClientLogic ^[b]	–	112
Sale of non-operating investments ^[c]	–	21
Provisions on value of non-controlled entities ^[d]	(54)	(82)
	\$ 164	\$ 209

a) In May 2001 Celestica completed an issue of 12 million subordinate voting shares from treasury for net proceeds of \$1,084. While Onex did not sell any shares of Celestica in the offering, Onex recorded an accounting dilution gain of \$136 as a result of the increase in book value of Onex' portion of the net asset value of Celestica resulting from this offering. Onex' ownership was diluted from 20% to 19% as a result of the additional shares issued. In August 2001 Celestica acquired Primetech by issuing approximately 3.4 million Celestica subordinate voting shares valued at \$274. Onex recorded a dilution gain of \$30 as a result of the share issuance. Onex' ownership after the dilution remained at approximately 19%. In October 2001 a dilution gain of \$52 was recorded as a result of Celestica issuing approximately

9.2 million subordinate voting shares valued at \$609 to acquire Omni. Onex' ownership was diluted to 18% and it retained voting control of Celestica. Throughout the year, for smaller acquisitions, approximately \$3 of subordinate voting shares were issued.

In March 2000 Celestica issued 16.6 million subordinate voting shares from treasury to the public for net proceeds of \$1,060. Onex recorded an accounting dilution gain of \$158 as a result of the increase in book value of Onex' portion of the net asset value of Celestica resulting from its offering. While Onex did not sell or purchase any shares of Celestica in this offering, Onex' ownership interest in Celestica was diluted from 22% to 19% as a result of the additional shares issued.

b) In August 2000 ClientLogic issued 13.1 million common shares for net proceeds of \$149, of which Onex invested \$34. Onex recorded an accounting dilution gain of \$95 as a result of the increase in book value of Onex' share of the net asset value of ClientLogic arising from the offering. In October 2000 ClientLogic issued a further 2.5 million common shares, valued at \$30, for the acquisition of ACS. This transaction resulted in a further \$17 accounting dilution gain being

recorded by Onex. Onex' ownership interest in ClientLogic was diluted from 81% to 70% as a result of these shares being issued. Onex retained voting control of ClientLogic.

c) In 2000 Onex sold its interest in various non-controlled entities for proceeds of \$21, recording a net gain of \$21.

d) During 2001 and 2000 Onex established certain provisions against the carrying value of a number of non-controlled entities to reflect changes in the value of these assets that the Company deemed permanent.

5. INVENTORIES

Inventories comprised the following at December 31, 2001 and 2000:

	2001	2000
Raw materials	\$ 1,733	\$ 2,241
Work in process	448	425
Finished goods	549	370
	\$ 2,730	\$ 3,036

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at December 31, 2001 and 2000:

	2001			2000		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land and buildings	\$ 1,387	\$ 191	\$ 1,196	\$ 1,249	\$ 247	\$ 1,002
Machinery and equipment	3,755	1,507	2,248	3,008	943	2,065
Construction in progress	106	-	106	200	-	200
	\$ 5,248	\$ 1,698	\$ 3,550	\$ 4,457	\$ 1,190	\$ 3,267

The above amounts include property, plant and equipment under capital leases of \$114 (2000 - \$156) and accumulated amortization of \$44 (2000 - \$62) related thereto.

7. INVESTMENTS AND OTHER ASSETS

Investments and other assets comprised the following at December 31, 2001 and 2000:

	2001	2000
Investments:		
Private entities – at cost ^(a)	\$ 112	\$ 223
Public entities – at cost ^(b)	19	25
Marketable securities – at market values ^(c)	77	84
Debt of an entity proposed to be acquired – at cost	289	–
Equity-accounted companies ^(d)	23	30
Deferred charges:		
Debt issuance costs	53	105
Exchangeable debentures (note 11)	–	17
Other ^(e)	118	144
Future income taxes (note 16)	387	379
Commodity tax recoverable by operating company	–	117
Other	102	97
	\$ 1,180	\$ 1,221

a) The market value of private entities is not readily determinable with sufficient reliability.

b) The market value of the public entities as at December 31, 2001 was \$23 (2000 – \$33).

c) Included in marketable securities is a \$60 (2000 – \$63) net investment made by a subsidiary of the Company which involves the purchase of convertible securities and the simultaneous short sale of the shares into which those securities can be converted. This investment program, in a separate subsidiary company, is managed by a third-party fund manager who manages other similar funds. This net investment consists of \$618 (2000 – \$880) in convertible securities and cash offset by \$558 (2000 – \$817) in short sales of these equity securities and debt. All marketable securities have been recorded at quoted year-end market values. The matched investments settle on a net basis.

d) Equity-accounted companies for 2001 represents an investment in Cypress Holdings, Inc. The amount for 2000 included investments in Trim Systems, Inc. (“Trim Systems”) and Cypress Holdings, Inc. Onex acquired control of Trim Systems in June 2001 and the results of its operations are now reported on a consolidated basis.

e) The other deferred charges include pension costs and certain acquisition costs.

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets comprised the following at December 31, 2001 and 2000:

	2001	2000
Goodwill, net of accumulated amortization of \$722 (2000 – \$506)	\$ 5,218	\$ 4,669
Intellectual property, net of accumulated amortization of \$237 (2000 – \$59)	492	263
Intangible assets, net of accumulated amortization of \$81 (2000 – \$114)	404	245
	\$ 6,114	\$ 5,177

Intellectual property primarily represents the costs of certain non-patented intellectual property and process know-how obtained in acquisitions.

Intangible assets include trademarks, non-competition agreements and contract rights acquired in certain facilities acquisitions.

9. LONG-TERM DEBT OF SUBSIDIARIES, WITHOUT RECOURSE TO ONEX

Long-term debt of subsidiaries, without recourse to Onex, at December 31, 2001 and 2000 is as follows:

		2001	2000
Celestica^(a)	10.5% senior subordinated notes due 2006	\$ 207	\$ 195
	Other, including debt denominated in foreign currencies	21	–
		228	195
ClientLogic^(b)	Revolving credit facilities	169	103
	Other, including debt denominated in foreign currencies	46	10
		215	113
Dura Automotive^(c)	Revolving credit facilities and term loans due 2005 and 2006	823	1,198
	9.0% senior subordinated notes due 2009	860	591
	Mandatory redeemable convertible trust preferred securities	88	83
	Other, including debt denominated in foreign currencies	21	35
		1,792	1,907
J.L. French^(d)	Revolving credit facilities and term loans due 2005 and 2006	518	496
	11.5% subordinated notes due 2009	279	262
	8% redeemable shares	95	91
	Other	65	60
		957	909
Performance Logistics Group^(e)	Revolving credit facility due 2006	15	18
	Term loan due 2002 to 2006	91	97
		106	115
Commercial Vehicle Systems^(f)	Revolving credit facilities and term loans due 2005	63	81
Bostrom^(g)	Revolving credit facilities and term loans due 2002 to 2006	51	58
	Other	24	24
		75	82
Trim Systems^(h)	Revolving credit facilities and term loans due 2002 to 2006	66	–
	Other	11	–
		77	–
MAGNATRA⁽ⁱ⁾	Revolving credit facilities and term loans due 2002 to 2005	379	367
	Bridge loan repaid in 2001	–	87
	12.5% senior subordinated notes due 2007	84	84
	Other	13	15
		476	553
Radian^(j)	Revolving credit facilities and term loans due 2004	23	–
Lantic Sugar^(k)	Term loans due 2002 to 2005	156	161
InsLogic^(l)	Redeemable shares	73	45
	Other	–	3
		73	48
ONCAP companies^(m)	Revolving credit facilities and term loans due 2002 to 2007	201	12
	Other	62	–
		263	12
Other		3	20
Sky Chefs⁽ⁿ⁾	Revolving credit facilities	–	85
	Term loans	–	270
	9.25% senior subordinated notes	–	450
	Additional credit facility	–	277
	Other, including debt denominated in foreign currencies	–	12
		–	1,094
Less: Debt held by Onex		(129)	(45)
		4,378	5,245
Current portion of long-term debt of subsidiary companies		(340)	(381)
Consolidated long-term debt of subsidiary companies, without recourse to Onex		\$ 4,038	\$ 4,864

The current portion of long-term debt is also without recourse to Onex. Onex does not guarantee the debt on behalf of any of its operating subsidiary companies, nor are there any cross-guarantees between operating subsidiary companies.

The financing arrangements for each operating company typically contain certain restrictive covenants, including limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of investments and acquisitions, and the sale of assets. In addition, certain financial covenants must be met by each of the operating companies. The financial projections for 2002 prepared by the managements of the operating subsidiary companies show that certain operating subsidiary companies will achieve compliance with specific debt covenant requirements by relatively small margins. Future changes in business conditions may produce results that necessitate amendments to covenants to achieve compliance. No adjustments to the carrying amount or classification of assets or liabilities of these entities in the consolidated financial statements have been made with respect to this possible non-compliance.

a) Celestica

Celestica, under the terms of a global unsecured revolving credit facility, has available up to US\$250 of borrowings. The available facility bears interest at LIBOR plus a margin and is repayable in July 2003. There were no drawings against this facility during 2001 or 2000.

In February 2000 Celestica renewed its second global unsecured revolving credit facility, providing up to US\$250 of additional borrowings including a swing line facility for short-term borrowings. The available facility bears interest at LIBOR plus a margin except for borrowings under the swing line facility, which bear interest at a base rate. The facility is repayable in April 2004. There were no borrowings on this facility during 2001 and 2000.

In July 2001 Celestica entered into an unsecured, revolving credit facility providing up to US\$500 of borrowings including a swing line facility for short-term borrowings. Borrowings under the facility bear interest at LIBOR plus a margin except for borrowings under the swing line facility, which bear interest at a base rate. The facility is repayable in July 2005. There were no borrowings on this facility during 2001.

Celestica's US\$130 (2000 – US\$130) 10.5% senior subordinated notes are unsecured, subordinated to the payment of all senior debt of the company, and may be redeemed at various premiums above face value.

b) ClientLogic

ClientLogic has available up to US\$125 (2000 – US\$170) under the terms of an amended and restated revolving credit agreement. The agreement, which expires in 2004, provides for floating rate advances in U.S. dollars, pounds sterling and/or euros, as selected by the company at the time of borrowing. The credit facility bears interest at the lender's base rate or LIBOR plus a premium of 1.25% to 4.50%, depending on certain financial ratios. At December 31, 2001 the premium was 1.25%. The interest rate applicable at December 31, 2001 was 3.2%. At December 31, 2001, there were US\$106 (2000 – US\$69) in borrowings outstanding at a weighted average interest rate of 7.2% (2000 – 10.7%). Borrowings under the credit facility are secured by substantially all of ClientLogic's assets.

A subsidiary of ClientLogic has unsecured notes payable to a former shareholder of an acquired company. The notes bear interest at a rate of 8.3% and are payable in five equal consecutive annual instalments of US\$1, which commenced in December 2000. These notes are subordinate to the credit agreements. The holders of the notes may elect to be paid in cash or shares of Class A voting common stock determined at market value at each respective payment date.

ClientLogic has US\$18 of loan notes outstanding. Of this amount, US\$17 bears interest at 6.5% and is repayable in 2007. The balance bears interest at 12% and is repayable monthly through 2004.

c) Dura Automotive

Dura Automotive, under the terms of a credit agreement, has revolving credit facilities of US\$400 due 2005 and term loans of US\$550 due in 2005 and 2006. The credit agreement provides for up to US\$150 of the borrowings to be in currencies other than the U.S. dollar. The credit facility bears interest at LIBOR plus a margin and ranges from 4.4% to 6.4% in 2001. The balance outstanding on the term loans at December 31, 2001 was US\$454 (2000 – US\$506). At December 31, 2001, there were US\$63 (2000 – US\$293) of outstanding borrowings on the revolving credit facility, of which US\$13 (2000 – US\$71)

were in currencies other than the U.S. dollar. The weighted average interest rate on the revolving credit facilities and term loans was 7.1% in 2001 (2000 – 8.7%). Borrowings under the credit agreement are collateralized by substantially all of the assets of Dura Automotive.

During 2001 Dura Automotive entered into two interest rate swap agreements which effectively converted US\$50 of variable rate loans into fixed rate obligations. Each agreement fixes the interest rates on US\$25 at 7.5% and 7.3%, respectively, and expires in 2002.

The senior subordinated notes mature in 2009 and bear interest at 9.0%, payable semi-annually. The notes are repayable as US\$300 and 100 euros. Certain of the notes were issued in 2001 with net proceeds of approximately US\$147 being used to reduce borrowings outstanding under the revolving credit facility.

Dura Automotive had US\$55 of 7.5% redeemable convertible trust preferred securities outstanding at December 31, 2001 and 2000. The preferred securities are convertible, at the option of the holder, into Class A common stock of Dura Automotive at a rate equivalent to a conversion price of US\$42.875 per share. The preferred securities are redeemable, in whole or in part, and must be redeemed before March 2028.

d) J.L. French

J.L. French has a senior credit facility which provides for term loans of up to US\$370 and revolving credit of up to US\$90. Each of these facilities bears interest at prime or LIBOR plus a margin. The term loans are due in 2005 and 2006, while the revolving credit facility is due in 2005. Borrowings outstanding at December 31, 2001 were US\$300 (2000 – US\$314) on the term loan facility and US\$25 (2000 – US\$17) on the revolving credit facility. The weighted average interest rate on the total outstanding borrowings was 6.5% (2000 – 10.1%). Borrowings under the senior credit facility are collateralized by substantially all of the assets of J.L. French.

In 2001 J.L. French entered into an interest rate swap agreement to effectively fix the interest rate on US\$75 of variable rate loans at 4.8%. The swap agreement expires in 2003.

In November 2000 J.L. French issued US\$60 of Class P common shares to certain shareholders, of which Onex acquired US\$26. The shares are non-voting and accrue

dividends at 8% annually. Dividends are payable in cash at the time of redemption of the shares. The Class P common shares are mandatorily redeemable at the time of a sale of J.L. French. In addition, the Class P common shareholders may require J.L. French to redeem the shares at any time after December 2009. These shares have been classified as debt and dividends payable thereon have been included in interest expense.

e) Performance Logistics Group

PLG entered into a US\$115 credit agreement in May 2000 in connection with its acquisition of E&L. The agreement provides for a revolving credit facility of US\$30 and a term loan of US\$85, US\$20 of which was repaid in July 2000. Both the revolving credit facility and term loan bear interest at LIBOR plus a margin. The outstanding borrowings on the revolving credit facility at December 31, 2001 were US\$9 (2000 – US\$12) and on the term loan were US\$57 (2000 – US\$65). The weighted average interest rates were 5.1% (2000 – 9.6%) on the revolving credit facility and 5.1% (2000 – 9.3%) on the term loan. Commencing September 2001, quarterly repayments are required on borrowings under the term loan. Borrowings under the revolving credit facility are due in May 2006. Borrowings under the credit agreement are collateralized by substantially all of the assets of PLG.

f) Commercial Vehicle Systems

CVS has entered into a credit agreement which provides for a revolving credit facility of US\$23 and term loans of US\$48. Both the revolving credit facility and the term loans bear interest at prime or LIBOR plus a margin and are due in 2005. The outstanding borrowings at December 31, 2001 on the revolving credit facility were US\$5 (2000 – US\$9) and on the term loans were US\$34 (2000 – US\$45). The weighted average interest rates were 7.3% (2000 – 9.4%) for the revolving credit facility and 5.8% (2000 – 9.4%) on the term loans. Borrowings under the credit agreement are collateralized by substantially all of the assets of CVS.

During 2000 CVS entered into an interest rate swap agreement which effectively converted US\$24 of variable rate loans into fixed rate obligations at 10.0% (2000 – 9.4%). The interest rate swap agreement expires in March 2003.

g) Bostrom

In September 2000, in connection with its acquisition, Bostrom entered into a US\$70 credit agreement. The credit agreement provides for a US\$25 revolving credit facility and term loans of US\$45. These facilities bear interest at various rates plus a margin, depending on certain financial ratios, and are due in February 2006.

The credit agreement provides Bostrom with the ability to denominate a portion of its borrowings in currencies other than the U.S. dollar. At December 31, 2001 total borrowings outstanding on the revolving credit facility were US\$12 (2000 – US\$10), of which US\$2 (2000 – US\$4) were denominated in pounds sterling. At December 31, 2001, of the US\$20 (2000 – US\$29) borrowings outstanding on the term loan, US\$5 (2000 – US\$10) were denominated in pounds sterling. The weighted average interest rates on the revolving credit facility and term loan ranged from 6.4% to 8.4% during 2001 (2000 – 9.1% to 9.6%). Quarterly repayments are required on borrowings under the term loan. Borrowings under the credit agreement are collateralized by the assets of Bostrom.

Bostrom has entered into an interest rate collar agreement that effectively fixes the range of interest rates on US\$23 of variable rate loans at between 4½% and 6%. The collar agreement expires in 2003.

h) Trim Systems

In June 2001 Trim Systems entered into an amended credit agreement providing a revolving credit facility of US\$20 and US\$50 of term loans. At December 31, 2001 there were US\$7 and US\$39 (2000 – US\$10 and US\$42) in outstanding borrowings on the revolving credit facility and term loans, respectively. Borrowings under both the revolving credit facility and the term loans bear interest at prime plus a margin. The weighted average interest rate on the revolving credit facilities and term loans was 6.0%. Borrowings under the credit agreement are due in June 2006. Principal repayments are based on excess cash flow and begin in April 2002. Borrowings under the credit agreement are collateralized by substantially all of Trim Systems' assets.

In June 2001 Onex loaned the company US\$7 pursuant to a five-year promissory note. The note is secured by all of the assets of Trim Systems.

i) MAGNATRAX

MAGNATRAX has a credit facility that at December 31, 2001 included term loans totalling US\$226 (2000 – US\$245) and revolving borrowings of up to US\$55 (2000 – US\$55), and at December 31, 2000 included a Canadian-dollar-denominated asset sale bridge loan of US\$58. The term loans and revolving credit facilities include both Canadian- and U.S.-dollar-denominated loans. The U.S.-dollar-denominated loans bear interest at the euro rate plus a margin, depending on a defined leverage ratio, require quarterly repayments and are due November 2005. Interest under the Canadian-dollar-denominated term loan is, and under the bridge loan was, payable on individual advances at the bankers acceptance rate plus a margin, depending on a defined leverage ratio. The Canadian-dollar-denominated term loan requires quarterly repayments and is due May 2004. The revolving credit facilities are due in May 2004. The bridge loan was repaid in August 2001. At December 31, 2001 the total borrowings outstanding on the term loan facility were US\$226 (2000 – US\$245) at a weighted average interest rate of 9.3% (2000 – 9.8%).

Availability of the revolving credit facilities is based upon borrowings outstanding as well as amounts outstanding under letters of credit. Outstanding borrowings on revolving facilities at December 31, 2001 were US\$12 (2000 – nil) and letters of credit were US\$23 (2000 – US\$24). The weighted average interest rate on the revolving credit facilities in 2001 was 7.5% (2000 – 9.4%). Borrowings under the credit facilities are collateralized by substantially all of the assets of MAGNATRAX.

At December 31, 2001, US\$53 (2000 – US\$56) of the redeemable senior subordinated notes issued in connection with the March 2000 acquisition of Jannock were outstanding. The notes bear interest at 12.5% per annum, payable semi-annually.

MAGNATRAX has entered into two interest rate swap agreements to effectively change the euro rate on a total of US\$90 of the term loans. Each agreement effectively fixes the interest rates on US\$45 at 6.1% and 6.5%, respectively. The interest rate swap agreements expire in 2005.

j) Radian

In December 2001 Radian entered into a credit agreement which provides for a revolving credit facility of \$20 and a term loan of \$15. Borrowings under the credit agreement are due in 2004. The revolving credit facility and the term loan bear interest at short-term borrowing rates plus a margin. The outstanding borrowings at December 31, 2001 on the revolving credit facility and term loan were \$8 and \$15, respectively. The weighted average interest rate for both the revolving credit facility and term loan was 5.4% in 2001. Borrowings under the credit agreement are secured by substantially all of the assets of Radian.

In 2001 Radian entered into an interest rate swap agreement that effectively converted \$15 of variable rate loans into fixed rate obligations at 4.0% until 2003.

k) Lantic Sugar

Lantic Sugar has a \$165 term loan credit facility, of which \$156 was outstanding at December 31, 2001 (2000 – \$161). The term loan interest rate ranged from 4.4% to 6.1% during 2001 and 2000 due to an interest rate swap agreement that matures in 2003. The credit facility is collateralized by substantially all of the assets of Lantic Sugar.

Lantic Sugar also has a revolving credit facility of \$65 which was not drawn on at December 31, 2001 or 2000.

l) InsLogic

In May and November 2001 InsLogic issued Series C and Series D preferred shares for net proceeds of US\$12 and US\$4, respectively. Onex acquired approximately 6% and 60% of the Series C and Series D preferred share issues, respectively. In March 2000 InsLogic issued US\$30 of Series B preferred shares, of which Onex acquired 10%. Each of the Series B, Series C and Series D preferred shares is convertible into one common share, subject to adjustments under specific circumstances. The shares are non-voting and are entitled to non-cumulative dividends at an amount equivalent to the dividends declared, if any, on common shares. Dividends would be payable in cash at the time of redemption of the shares. A majority of the holders of the Series B, Series C and Series D preferred shares may request, under certain circumstances and after May 2007, that InsLogic redeem all of the preferred shares at the original option price. Due to the redemption right, these shares have been classified as debt.

m) ONCAP companies

ONCAP's investee companies each have indebtedness that is included in Onex' consolidated financial statements. Under the terms of credit agreements, CMC, Armtec and Ensource have combined revolving credit facilities of \$70 and term borrowings of \$190 available. There are separate arrangements for each of CMC, Armtec and Ensource with no cross-guarantees between the companies. The available facilities bear interest at various rates based on prime, U.S. base or LIBOR plus a margin. During 2001 interest rates ranged from 4.85% to 8.84% on borrowings under the revolving credit and term facilities. Quarterly repayments on a portion of the term loans are required commencing June 2002, while the remainder of the credit facilities are repayable in 2006 and 2007. The borrowings under these credit facilities at December 31, 2001 were \$201 (2000 – \$12). One of the companies also has available subordinated term credit facilities of \$46 which bear interest at 14.25%, all of which were outstanding at December 31, 2001 and are due in 2007.

In 2001 one of the companies entered into an interest rate swap agreement that effectively fixes the floating rate on \$35 at 4.32% to 2006.

n) Sky Chefs

Sky Chefs and Caterair, under the terms of a credit agreement with a consortium of lenders, had available at December 31, 2000 up to US\$435 of borrowings under a senior secured credit facility, consisting of up to an aggregate of US\$185 of term loans and up to US\$90 of revolving loans. Up to US\$160 of the term loan availability was with Caterair International Corporation, which was not consolidated as the company was not controlled by Onex or Sky Chefs. Outstanding borrowings under the credit agreement at December 31, 2000 were US\$390, with US\$237 drawn by Sky Chefs and US\$153 drawn by Caterair International Corporation. In addition, at December 31, 2000, US\$12 of the revolving credit facility had been utilized for letters of credit. The weighted average interest rate on the borrowings under the term loans in 2000 was 7.9%.

In August 2000 Sky Chefs entered into a new credit agreement. Pursuant to the agreement, the company could borrow up to an additional US\$300 on an unsecured senior subordinated basis, *pari passu* with the senior subordinated

notes. The loans under this new agreement were guaranteed on a joint and several unsecured senior subordinated basis, pari passu with the guarantees of the notes by Sky Chefs. These loans bear interest at LIBOR plus 2.5%. At December 31, 2000, US\$185 was outstanding under the new credit agreement. The effective interest rate on the borrowings in 2000 under the new credit agreement was 9.1%.

In June 2001 Onex sold its ownership interest in Sky Chefs and ceased to consolidate the financial results of the company at that time. Accordingly, the debt of Sky Chefs was removed from the consolidated financial statements at the time of the sale of Sky Chefs.

o) The annual minimum repayment requirements for the next five years on long-term debt are as follows:

2002	\$ 340
2003	\$ 373
2004	\$ 534
2005	\$ 905
2006	\$ 823

10. LEASE COMMITMENTS

The future minimum lease payments are as follows:

	Capital Leases	Operating Leases
For the year:		
2002	\$ 25	\$ 285
2003	18	240
2004	10	154
2005	7	116
2006	3	87
Thereafter	5	354
Total future minimum lease payments	68	\$ 1,236
Less: imputed interest	(10)	
Balance of obligations under capital leases	58	
Less: current portion	(20)	
Long-term obligations under capital leases	\$ 38	

Essentially all of the lease commitments relate to the operating companies.

11. EXCHANGEABLE DEBENTURES

In 2000 Onex issued the following series of 25-year debentures exchangeable for subordinate voting shares of Celestica:

Series	Due	Aggregate Principal Amount	Average Interest Rate	Exchange Rate on Principal Amount (number of shares per \$000)
One	March 15, 2025	\$ 366	1.70%	15.133
Two	July 15, 2025	\$ 113	1.72%	13.333
Three	September 15, 2025	\$ 176	1.65%	8.515
Four	October 30, 2025	\$ 74	1.60%	9.042

The debentures are exchangeable, at the request of the holder, into subordinate voting shares of Celestica at fixed exchange rates or, at the option of the Company, it may deliver the cash equivalent based on the market price of the shares at the time of exchange, or a combination of shares and cash. Onex has pledged shares of Celestica to secure its obligations upon any exercise of the holders' exchange right. The debentures are redeemable at any time by the Company. Upon redemption Onex may, at its option, repay the principal amount by delivering Celestica subordinate voting shares based on the fixed exchange rate or pay the cash equivalent, or a combination of shares and cash. The total number of

Celestica subordinate voting shares pledged under the debentures is 9,214,320.

Onex is required to pay interest at a fixed rate for the first interest period of each debenture issue, which is approximately six months, and at a floating rate semi-annually thereafter. The calculated interest rate varies in relation to ordinary Celestica dividends paid, if any, during the preceding interest period and, in the case of the Series One debentures, the average closing price of Celestica subordinate voting shares on The Toronto Stock Exchange for all trading days over the preceding interest period.

As it is contemplated that delivery of the underlying subordinate voting shares of Celestica will satisfy the entire exchangeable debenture principal liability, hedge accounting has been applied. The difference between the market value of the Celestica subordinate voting shares and the original issue amount of the exchangeable debentures is recorded as a deferred amount until such time as the debentures are exchanged, redeemed or mature. The market value of the exchangeable debentures is based on the market price, as at the balance sheet date, of the underlying subordinate voting shares of Celestica.

The market value and deferred amount of the exchangeable debentures at December 31, 2001 and 2000 were as follows:

	2001	2000
Carrying amount (cost)	\$ 729	\$ 729
Deferred amount, included in investments and other assets (note 7)	-	17
Deferred amount, included in other liabilities	(139)	-
Market value	\$ 590	\$ 746

Interest expense related to the exchangeable debentures amounted to \$12 (2000 – \$7) and was netted against interest and other income.

12. SHARE CAPITAL

a) The authorized share capital of the Company consists of:

i) 100,000 Multiple Voting Shares, which entitle their holders to elect 60% of the Company's Directors and carry such number of votes in the aggregate as represents 60% of the aggregate votes attached to all shares of the Company carrying voting rights. The Multiple Voting Shares have no entitlement to a distribution on winding-up or dissolution other than the payment of their nominal paid-up value.

ii) An unlimited number of Subordinate Voting Shares, which carry one vote per share and as a class are entitled: to 40% of the aggregate votes attached to all shares of the Company carrying voting rights; to elect 40% of the Directors; and to appoint the auditors. These shares are entitled, subject to the prior rights of other classes, to distributions of the residual assets on winding-up and to any declared but unpaid

cash dividends. The shares are entitled to receive cash dividends, dividends in kind and stock dividends as and when declared by the Board of Directors.

The Multiple Voting Shares and Subordinate Voting Shares are subject to provisions whereby, if an event of change occurs (such as Mr. Schwartz ceasing to hold, directly or indirectly, more than 5,000,000 Subordinate Voting Shares or related events), the Multiple Voting Shares will thereupon be entitled to elect only 20% of the Directors and otherwise will cease to have any general voting rights. The Subordinate Voting Shares would then carry 100% of the general voting rights and be entitled to elect 80% of the Directors.

iii) An unlimited number of Senior and Junior Preferred Shares issuable in series. The Directors are empowered to fix the rights to be attached to each series. There is no consolidated paid-in value for these shares.

b) In June 2000 the Company completed a subdivision of the Subordinate Voting Shares on a two-for-one basis (the "two-for-one stock split"). All historical Subordinate Voting Share and per share information has been restated to reflect the effect of the two-for-one stock split on a retroactive basis.

c) During 2001, under the Dividend Reinvestment Plan, the Company issued 144,564 (2000 – 145,628) Subordinate Voting Shares at a total value of \$3 (2000 – \$3). The Company repurchased and cancelled under a Normal Course Issuer Bid 2,242,800 (2000 – 1,618,200) of its Subordinate Voting Shares at a cost of \$39 (2000 – \$35) cash during 2001. The excess of the purchase cost of these shares over the average paid-in amount was \$30 (2000 – \$28), which was charged to retained earnings.

d) At December 31, 2001 the issued and outstanding share capital consisted of 100,000 (2000 – 100,000) Multiple Voting Shares, 160,576,620 (2000 – 162,482,856) Subordinate Voting Shares and 176,078 (2000 – 176,078) Series 1 Senior Preferred Shares. The Series 1 Senior Preferred Shares have no paid-in amount reflected in these consolidated financial statements and the Multiple Voting Shares have nominal paid-in value.

e) The Company has a Stock Option Plan under which options and/or share appreciation rights for a term not exceeding 10 years may be granted to Directors, officers and employees for the acquisition of Subordinate Voting Shares

of the Company at a price not less than the market value of the shares on the business day preceding the day of the grant. Under the Stock Option Plan, no options or share appreciation rights may be exercised unless the average market price of the Subordinate Voting Shares for the five prior business days exceeds the exercise price of the options or the share appreciation rights by at least 25% (the “exercisable price”). At December 31, 2001, 15,808,000 (2000 – 16,000,000) Subordinate Voting Shares were reserved for issuance under the Stock Option Plan. At December 31, 2001 options representing 12,944,000 (2000 – 15,135,400) shares were outstanding.

All options vest at a rate of 20% per year from the date of grant. When an option is exercised, the employee has the right to request that the Company repurchase the option for an amount equal to the difference between the fair value of the stock under the option and its exercise price. Upon receipt of such request, the Company has the right to settle its obligation to the employee by the payment of cash, the issuance of shares or a combination of cash and shares. The number of shares outstanding under the Stock Option Plan and the exercise prices have been adjusted to reflect the two-for-one stock split in June 2000.

Details of options outstanding, adjusted to retroactively reflect the stock split, are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 1999	15,884,200	\$ 7.81
Exercised or surrendered	(687,000)	\$ 5.56
Expired	(61,800)	\$ 11.59
Outstanding at December 31, 2000	15,135,400	\$ 7.90
Exercised or surrendered	(2,191,400)	\$ 4.47
Outstanding at December 31, 2001	12,944,000	\$ 8.48

During 2001 the total cash consideration paid on options surrendered was \$38 (2000 – \$13). This amount represents the difference between the market value of the Subordinate Voting Shares at the time of surrender and the exercise price as determined under the Stock Option Plan and has been applied, net of tax of \$6 in 2000, as a charge to retained earnings.

Options outstanding at December 31, 2001 consisted of the following:

Number of Outstanding Options	Exercise Price	Number of Exercisable Options	Exercisable Price	Remaining Life (years)
874,800	\$ 3.32	874,800	\$ 4.15	2.9
5,277,400	\$ 7.30	2,894,600	\$ 9.13	6.1
5,943,800	\$ 8.62	3,347,400	\$ 10.78	6.3
848,000	\$ 20.23	339,200	\$ 25.29	8.0

13. INTEREST EXPENSE OF OPERATING COMPANIES

Year ended December 31	2001	2000
Interest on long-term debt of operating companies	\$ 414	\$ 405
Interest on obligations under capital leases of operating companies	3	2
Other interest of operating companies	23	2
Interest expense of operating companies	\$ 440	\$ 409

Cash interest paid during the year amounted to \$390 (2000 – \$400).

14. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Year ended December 31	2001	2000
Celestica	\$ 406	\$ 24
ClientLogic	11	12
Dura Automotive	39	3
Other	18	3
	\$ 474	\$ 42

Costs incurred relate to the implementation of business processes, infrastructure and information systems for operations acquired. Included above for Celestica is a pre-tax restructuring charge totalling \$370 to provide for costs of facility consolidations and a reduction in the workforce as a result of the broad slowdown in technology end markets being experienced by its customers. The charge included \$142 for employee termination costs, \$55 for lease and other contractual obligations, \$154 for non-cash asset impairments and \$19 of facility exit costs.

Included in accounts payable and accrued liabilities is \$147 (2000 – \$50) relating to various restructuring charges made in the current and prior years, of which \$132 relates to the Celestica transaction described above.

**15. WRITEDOWN OF GOODWILL
AND INTANGIBLE ASSETS BY
OPERATING COMPANIES**

Reviews in 2001 and 2000 of unamortized goodwill and intangible assets indicated that certain amounts were not likely to be recoverable.

During 2001, Celestica recorded a non-cash charge of \$57 to write down the carrying value of certain assets, primarily goodwill and other intangible assets.

Management of ClientLogic concluded that the recoverability of its goodwill and intangible assets over the one- to five-year amortization periods was not sufficiently certain given the current level of operations. Accordingly, a non-cash charge of \$145 was recorded in 2001 to write off essentially all of the goodwill and intangible assets on ClientLogic's books. During 2000, ClientLogic's management assessed that certain specialty services would not be provided in the future. Accordingly, goodwill associated with these activities in the amount of \$22 was written off at that time.

Similarly, a review of the goodwill associated with J.L. French indicated that a portion of its goodwill was not recoverable and a writedown of \$225 was recorded in the second quarter of 2001. This adjustment is for Onex' consolidated reporting and did not affect the financial results reported by J.L. French.

16. INCOME TAXES

The reconciliation of statutory income tax rates to the Company's effective tax rate is as follows:

	2001	2000
Income taxes at statutory rates	\$ (161)	\$ 254
Increase (decrease) related to:		
Non-taxable accounting gains	(93)	(111)
Non-recognition of losses	81	71
Amortization of non-deductible acquisition costs	204	50
Income tax rate differential of subsidiaries	19	(84)
Income tax rate change	(30)	(5)
Other	(10)	(2)
Income tax expense	\$ 10	\$ 173
Classified as:		
Current	\$ 68	\$ 167
Future	(58)	6
Income tax expense	\$ 10	\$ 173

Income taxes are recognized for future income tax consequences attributed to estimated differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases.

The Company's future income tax assets and liabilities comprised the following as at December 31:

	2001	2000
Future income tax assets:		
Net operating losses carried forward	\$ 493	\$ 250
Accounting provisions not currently deductible	275	184
Scientific research deductions and credits	69	-
Property, plant and equipment, intangible and other assets	10	53
Share issue costs of operating companies	27	35
Acquisition and integration costs	16	38
Pension and non-pension post-retirement benefits	11	25
Other	42	123
Less: valuation allowance	(376)	(133)
	\$ 567	\$ 575
Future income tax liabilities:		
Property, plant and equipment, intangible and other assets	(272)	(98)
Pension and non-pension post-retirement benefits	(13)	(39)
Gains on shares of operating companies	(628)	(295)
Other	(25)	(49)
	(938)	(481)
Future income tax assets (liabilities), net	\$ (371)	\$ 94
Classified as:		
Current asset	\$ 180	\$ 196
Long-term asset	387	379
Long-term liability	(938)	(481)
Future income tax assets (liabilities), net	\$ (371)	\$ 94

The Company and its investment-holding subsidiaries have tax-loss carry-forwards of approximately \$312 available to reduce future income taxes to the year 2008.

At December 31, 2001 certain operating subsidiaries in Canada and the United States had tax-loss carry-forwards available to reduce future income taxes of those companies in the amount of \$1,353, of which \$299 have no expiry, \$213 are available to reduce future taxes between 2002 and 2006, inclusive, and \$841 are available to reduce future taxes over an 18-year period beginning in 2007.

Cash taxes paid during the year amounted to \$158 (2000 – \$110).

17. EARNINGS PER SUBORDINATE VOTING SHARE

The following table presents information on the basic and diluted earnings per share calculation:

	2001	2000
Numerator:		
Earnings (loss) from continuing operations	\$ (141)	\$ 153
Securities in subsidiaries	-	(3)
Earnings (loss) available to subordinate voting shareholders	\$ (141)	\$ 150
Denominator (in millions):		
Weighted average number of shares – basic	161	163
Employee stock options ⁽ⁱ⁾	-	10
Weighted average number of shares – diluted	161	173

(i) For 2001, excludes the effect of 12.9 million options to purchase Subordinate Voting Shares as they were anti-dilutive.

18. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The estimated fair values of financial instruments as at December 31, 2001 and 2000 are based on relevant market prices and information available at the time. The carrying values of cash and short-term investments, certain commodity inventories, accounts receivable, accounts payable and accrued liabilities approximate the fair value of these financial instruments. Financial instruments with a carrying value different from their fair value, which have not been disclosed elsewhere in these financial statements, include the following:

	2001		2000	
	Carrying Amount	Fair Value/ (Unwind Costs)	Carrying Amount	Fair Value/ (Unwind Costs)
Financial liabilities:				
Long-term debt ^{(i) (ii)}	\$ 4,038	\$ 3,768	\$ 4,864	\$ 4,584
Foreign currency contracts	\$ -	\$ 9	\$ -	\$ 8
Interest rate swap agreements	\$ -	\$ (19)	\$ -	\$ 8

(i) The fair value of the long-term debt is based on quoted market prices for the Company's financial instruments and for others of similar rating and risk. Certain components of the long-term debt primarily comprise term loans and other credit facilities with interest and repayment terms that are not significantly different from current market rates. Accordingly, the carrying values approximate estimated fair values.

(ii) Discontinued operations accounted for \$994 of the carrying value and \$996 of the fair value for 2000.

b) Forward sale agreements

During 2000 the Company entered into the following forward sale agreements relating to subordinate voting shares of Celestica. Shares of Celestica have been pledged as collateral for these forward sale agreements. These financial instruments have not been recognized on the balance sheet.

Series	Maturity Date	Number of Celestica Shares	Reference Price Per Share	2001 Fair Value	2000 Fair Value
One	May 31, 2001	84,259	\$ 101.00	\$ -	\$ 2
Two	August 17, 2025	472,840	\$ 101.00	\$ 20	\$ 10
Three	April 30, 2001	29,569	\$ 125.51	\$ -	\$ 1
Four	November 2, 2025	1,284,627	\$ 117.78	\$ 76	\$ 48

The reference price approximates the market value of a Celestica subordinate voting share at the time the forward sale agreement was entered into. The reference prices under the contracts increase over time.

The fair value represents the difference between the reference price under the contract and the market price of a Celestica share as at December 31, 2001 and 2000 for the number of shares under the contract.

19. SIGNIFICANT CUSTOMERS OF SUBSIDIARIES AND CONCENTRATION OF CREDIT RISK

A number of operating companies, by the nature of their businesses, individually serve major customers that account for a large portion of their revenues. For each of those operating companies, the table below shows the number of significant customers and the percentage of revenues that they represent.

	2001		2000	
	Number of Significant Customers	Percentage of Revenues	Number of Significant Customers	Percentage of Revenues
Celestica	3	54%	2	45%
ClientLogic	3	43%	-	-
Dura Automotive	3	52%	3	49%
J.L. French	2	88%	2	89%
Performance Logistics Group	1	72%	2	82%
Commercial Vehicle Systems	2	44%	3	54%
Bostrom	2	20%	-	-
Trim Systems	3	85%	-	-
Radian	1	17%	-	-
Lantic Sugar	1	10%	1	14%
InsLogic	4	94%	2	98%
Sky Chefs	-	-	1	24%

Accounts receivable from the above significant customers at December 31, 2001 and 2000 totalled \$1,096 and \$1,650, respectively. The operating companies maintain allowances for credit losses considered adequate to absorb estimated credit-related losses.

20. COMMITMENTS AND CONTINGENCIES

a) The estimated total cost to complete approved capital projects of the operating companies at December 31, 2001 was approximately \$69 (2000 – \$141).

b) Outstanding letters of credit amounted to \$226 at December 31, 2001 (2000 – \$141). The letters of credit form part of the operating lines of bank credit of the companies.

c) The Company has commitments in the total amount of approximately \$93 in respect of corporate investments.

d) The Company and its operating subsidiary companies may become parties to legal claims arising in the ordinary course of business. Certain subsidiary companies, as conditions of acquisition agreements, have agreed to accept certain pre-acquisition liability claims against the acquired companies. The subsidiary companies have recorded liability provisions for the estimated amounts that may become payable for such claims to the extent they are not covered by insurance or recoverable from other parties. It is management's opinion that the resolution of known claims should not have a material adverse impact on the consolidated financial position of Onex. However, there can be no assurance that unforeseen circumstances will not result in significant costs.

e) Under the terms of the Management Investment Plans (collectively, the "MIP") approved in June 1996, management members of the Company invest in all of the operating entities acquired by the Company.

The aggregate investment by management members under the MIP is limited to 9% of the Company's interest

in each acquisition. The form of the investment is a cash purchase for $\frac{1}{6}$ th (1.5%) of the MIP's share of the aggregate investment, and investment rights for the remaining $\frac{5}{6}$ th (7.5%) of the MIP's share at the same price. The investment rights to acquire the remaining $\frac{5}{6}$ th vest equally over four years. If the Company disposes of 90% or more of an investment before the fifth year, the investment rights vest in full. The investment rights related to a particular acquisition are exercisable only if the Company earns a minimum 15% per annum compound rate of return for that acquisition.

Under the terms of the MIP, the total amount paid for the interest in the investments in 2001 was \$2 (2000 – \$5). Investment rights, exercisable at the same price for 7.5% (2000 – 7.5%) of the Company's interest in acquisitions, were issued at the same time. Advances made to management as at December 31, 2001 on account of past gains realized that related to the MIP which have not been distributed amounted to \$48 (2000 – \$21). The Company also has investments totalling \$33 and an amount payable of the same amount in related companies controlled by participants of the MIP. During 2001, management members of the MIP participated in the realizations the Company achieved on Sky Chefs (2000 – realizations on Sky Chefs and Celestica). These realizations, reported by the Company as disclosed in note 3, are after the deduction of the value of the investment rights under the MIP.

f) Members of management and the Board of Directors of the Company invested \$17 in 2001 (2000 – \$23) in Onex acquisitions at the same cost as Onex and other outside investors. Those investments by management and the Board are subject to voting control by Onex.

21. PENSION AND NON-PENSION POST-RETIREMENT BENEFITS

The operating subsidiary companies have a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to certain of their employees.

The total costs during 2001 for defined contribution pension plans were \$67 (2000 – \$62).

For the defined benefit pension plans and non-pension post-retirement plans, the estimated present value of accrued benefit obligations and the estimated market value of the net assets available to provide these benefits at December 31 were as follows:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2001	2000	2001	2000	2001	2000
Accrued benefit obligations:						
Opening benefit obligations	\$ 232	\$ 421	\$ 666	\$ 374	\$ 183	\$ 123
Current service cost	5	17	23	13	13	4
Interest cost	15	29	35	28	8	10
Contributions by plan participants	1	4	5	1	–	–
Benefits paid	(10)	(22)	(30)	(17)	(12)	(8)
Actuarial losses in period	–	6	29	–	9	3
Foreign currency exchange rate changes	2	(9)	21	14	6	4
Acquisitions during the year	7	19	123	5	14	45
Discontinued operations (note 3)	–	–	(218)	–	(55)	–
Settlement payments	(19)	–	–	–	–	–
Other changes, including assumptions	(7)	15	8	–	(8)	2
Closing benefit obligations	\$ 226	\$ 480	\$ 662	\$ 418	\$ 158	\$ 183
Plan assets:						
Opening plan assets	\$ 283	\$ 555	\$ 634	\$ 296	\$ –	\$ –
Actual return on plan assets	(6)	14	(39)	7	–	–
Contributions by employer	5	16	26	37	12	8
Contributions by plan participants	1	4	5	1	–	–
Benefits paid	(10)	(22)	(30)	(17)	(12)	(8)
Foreign currency exchange rate changes	2	(11)	18	7	–	–
Acquisitions during the year	12	22	111	8	–	–
Discontinued operations (note 3)	–	–	(188)	–	–	–
Obligations being settled	(19)	–	–	–	–	–
Other changes	(1)	–	–	–	–	–
Closing plan assets	\$ 267	\$ 578	\$ 537	\$ 339	\$ –	\$ –

The funded status of the plans with the operating subsidiary companies at December 31 was as follows:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2001	2000	2001	2000	2001	2000
Deferred benefit amount:						
Plan assets, at fair value	\$ 267	\$ 578	\$ 537	\$ 339	\$ -	\$ -
Accrued benefit obligation	(226)	(480)	(662)	(418)	(158)	(183)
Plan surplus (deficit):	\$ 41	\$ 98	\$ (125)	\$ (79)	\$ (158)	\$ (183)
Unamortized past service costs	1	1	3	-	6	6
Unamortized net gain or loss	27	11	134	58	8	-
Valuation allowance	(13)	(20)	-	-	-	-
Other unrecognized amounts	-	(5)	(17)	(3)	-	-
Deferred benefit amount - asset (liability)	\$ 56	\$ 85	\$ (5)	\$ (24)	\$ (144)	\$ (177)

The net expense for the plans for the year ended December 31 is outlined below:

	Pension Plans in which Assets Exceed Accumulated Benefits		Pension Plans in which Accumulated Benefits Exceed Assets		Non-Pension Post-Retirement Benefits	
	2001	2000	2001	2000	2001	2000
Net periodic costs:						
Current service cost	\$ 5	\$ 17	\$ 23	\$ 13	\$ 13	\$ 4
Interest cost	15	29	35	28	8	10
Expected return on plan assets	(10)	(23)	(8)	(29)	-	(1)
Amortization of unrecognized amounts	(8)	(19)	(34)	2	1	1
Settlement gain	(1)	-	-	-	-	-
Net periodic costs	\$ 1	\$ 4	\$ 16	\$ 14	\$ 22	\$ 14

The following assumptions were used to account for the plans:

	Pension Benefits		Non-Pension Post-Retirement Benefits	
	2001	2000	2001	2000
Weighted average discount rate for projected benefit obligations	5.00%-7.75%	5.50%-8.00%	6.00%-7.75%	6.75%-8.00%
Weighted average expected long-term rate of return on plan assets	5.00%-9.00%	7.00%-10.60%	n/a	n/a
Weighted average rate of compensation increase	0%-6.00%	0%-5.00%	0%-4.50%	0%-4.50%
Health care cost trend rate	n/a	n/a	3.50%-11.00%	5.00%-9.65%

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement medical benefits plans. A 1% change in the assumed health care cost trend rate would have the following effects:

		1% Increase		1% Decrease
	2001	2000	2001	2000
Effect on total of service and interest cost components	\$ 2	\$ 2	\$ (2)	\$ (1)
Effect on the post-retirement benefit obligation	\$ 14	\$ 12	\$ (12)	\$ (10)

22. DECREASE (INCREASE) IN NON-CASH NET WORKING CAPITAL RELATED TO OPERATIONS

The table below provides the changes in non-cash working capital related to operations for years ended December 31:

	2001	2000
Accounts receivable	\$ 1,601	\$ (1,323)
Inventories	1,360	(1,006)
Other current assets	51	(172)
Accounts payable and accrued liabilities	(1,475)	1,675
	\$ 1,537	\$ (826)

23. SUBSEQUENT EVENTS

Onex and certain operating companies have entered into agreements to acquire or make investments in other businesses. These transactions are subject to a number of conditions, many of which are beyond the control of Onex or the operating companies. The effect of those planned transactions, if completed, may be significant to the consolidated financial position of Onex.

Onex and the other shareholders of Lantic Sugar Limited ("Lantic Sugar") have entered into an agreement with Rogers Sugar Income Fund ("RSIF") to exchange all of the common shares of Lantic Sugar for 35.5 million units of RSIF. Based upon Onex' ownership of Lantic Sugar, Onex will receive approximately 21.7 million of these units. Onex will control Lantic Sugar and Rogers Sugar Limited. Completion of the transaction is subject to a number of conditions including approval by the unitholders of RSIF and applicable regulatory approvals. It is expected that the transaction will be completed in the first quarter of 2002.

24. INFORMATION BY INDUSTRY AND GEOGRAPHIC SEGMENT

Onex Corporation's reportable segments operate through autonomous companies and strategic partnerships. Each reportable segment offers different products and services and is managed separately.

Onex Corporation has four reportable segments: electronics manufacturing services; customer management services; automotive products; and engineered building products. The electronics manufacturing services segment consists of Celestica, which provides manufacturing services for electronics OEMs. The customer management services segment consists of ClientLogic, which provides integrated solutions for customer relationship management in the key areas of customer contact, logistics, fulfillment and marketing services. The automotive products segment includes Dura Automotive, which designs and manufactures mechanical assemblies and integrated systems for the global automotive industry; J.L. French, a leading manufacturer of high-pressure aluminum die-cast parts; Performance Logistics Group, a provider of transportation and logistics services to automotive OEMs; Commercial Vehicle Systems, a leading manufacturer and supplier of wiper, mirror and control systems; Bostrom, a manufacturer of seats for the heavy truck, construction and agricultural vehicle markets; and Trim Systems, which produces heavy truck interior trim systems. The engineered building products segment consists of MAGNATRAX.

2001 Industry segments

<i>(in millions of dollars)</i>	Electronics Manufacturing Services	Customer Management Services	Automotive Products	Engineered Building Products	Other ^(a)	Consolidated Total
Revenues	\$ 15,575	\$ 599	\$ 5,408	\$ 1,201	\$ 1,020	\$ 23,803
Earnings before the undernoted items	\$ 878	\$ 27	\$ 611	\$ 97	\$ 37	\$ 1,650
Amortization of property, plant and equipment	(301)	(48)	(191)	(31)	(50)	(621)
Amortization of goodwill, intangible assets and deferred charges	(195)	(38)	(84)	(17)	(27)	(361)
Interest expense of operating companies	(30)	(27)	(291)	(57)	(35)	(440)
Interest and other income	43	1	4	-	77	125
Gains on shares of operating companies, net	-	-	-	-	164	164
Acquisition, restructuring and other expenses	395	(85)	49	(8)	166	517
Writedown of goodwill and intangible assets by operating companies	(406)	(11)	(39)	-	(18)	(474)
Earnings (loss) before income taxes and non-controlling interests	\$ (68)	\$ (241)	\$ (215)	\$ (8)	\$ 148	(384)
Provision for income taxes						(10)
Non-controlling interests of operating companies						253
Loss from continuing operations						(141)
Earnings from discontinued operations						939
Net earnings						\$ 798
Total assets	\$ 10,563	\$ 361	\$ 5,431	\$ 1,081	\$ 3,434	\$ 20,870
Long-term debt ^(b)	\$ 228	\$ 215	\$ 3,070	\$ 476	\$ 389	\$ 4,378
Property, plant and equipment additions	\$ 313	\$ 52	\$ 166	\$ 24	\$ 96	\$ 651
Goodwill additions	\$ 1,406	\$ -	\$ -	\$ -	\$ 238	\$ 1,644

(a) Includes Radian, Lantic Sugar, InsLogic, ONCAP, Galaxy Entertainment, Vencap and parent company.

(b) Long-term debt excludes capital leases.

2000 Industry segments

<i>(in millions of dollars)</i>	Electronics Manufacturing Services	Customer Management Services	Automotive Products	Engineered Building Products	Other ^(a)	Consolidated Total
Revenues	\$ 14,567	\$ 421	\$ 5,141	\$ 1,193	\$ 536	\$ 21,858
Earnings (loss) before the undernoted items	\$ 723	\$ (5)	\$ 596	\$ 118	\$ (19)	\$ 1,413
Amortization of property, plant and equipment	(182)	(28)	(148)	(25)	(20)	(403)
Amortization of goodwill, intangible assets and deferred charges	(133)	(60)	(72)	(15)	(7)	(287)
Interest expense of operating companies	(26)	(20)	(290)	(52)	(21)	(409)
Interest and other income	55	1	4	–	59	119
Gains on shares of operating companies, net	–	–	–	–	209	209
	437	(112)	90	26	201	642
Acquisition, restructuring and other expenses	(24)	(12)	(3)	–	(3)	(42)
Writedown of goodwill and intangible assets by operating companies	–	(22)	–	–	–	(22)
Earnings (loss) before income taxes and non-controlling interests	\$ 413	\$ (146)	\$ 87	\$ 26	\$ 198	578
Provision for income taxes						(173)
Non-controlling interests of operating companies						(252)
Earnings from continuing operations						153
Earnings from discontinued operations						35
Net earnings						\$ 188
Total assets ^(b)	\$ 8,902	\$ 445	\$ 5,788	\$ 1,094	\$ 3,490	\$ 19,719
Long-term debt ^(c)	\$ 195	\$ 113	\$ 3,094	\$ 553	\$ 1,290	\$ 5,245
Property, plant and equipment additions	\$ 386	\$ 84	\$ 235	\$ 29	\$ 105	\$ 839
Goodwill additions	\$ 188	\$ 1	\$ 287	\$ 292	\$ 27	\$ 795

(a) Includes Lantic Sugar, InsLogic, ONCAP, Vencap and parent company.

(b) Includes \$1,877 in total assets and \$1,094 in long-term debt related to discontinued operations.

(c) Long-term debt excludes capital leases.

Geographic segments

<i>(in millions of dollars)</i>	2001					2000				
	Canada	U.S.	Europe	Other	Total	Canada	U.S.	Europe	Other	Total
Revenue	\$ 4,600	\$ 10,166	\$ 5,841	\$ 3,196	\$ 23,803	\$ 5,531	\$ 8,164	\$ 5,308	\$ 2,855	\$ 21,858
Property, plant and equipment	\$ 859	\$ 1,350	\$ 827	\$ 514	\$ 3,550	\$ 607	\$ 1,520	\$ 789	\$ 351	\$ 3,267
Goodwill and intangible assets	\$ 887	\$ 2,687	\$ 1,029	\$ 1,511	\$ 6,114	\$ 486	\$ 3,369	\$ 1,049	\$ 273	\$ 5,177

Revenues are attributed to countries based on the locations of manufacturing facilities for the electronics manufacturing services, automotive products and engineered building products segments; and of operating facilities for the customer management services segment.

Other includes primarily operations in Central and South America as well as Asia and Australia. Significant customers of subsidiaries are discussed in note 19.

Summary Historical Financial Information

The following is a summary of key consolidated financial information of the Company for the past five fiscal years ended December 31:

<i>(in millions of dollars except per share data)</i>	2001	2000	1999	1998	1997
Revenues ^(a)	\$ 23,803	\$ 21,858	\$ 12,502	\$ 6,260	\$ 3,592
Earnings before the undernoted items	\$ 1,650	\$ 1,413	\$ 837	\$ 368	\$ 174
Amortization of property, plant and equipment	(621)	(403)	(225)	(94)	(42)
Amortization of goodwill, intangible assets and deferred charges	(361)	(287)	(175)	(94)	(35)
Interest expense of operating companies	(440)	(409)	(237)	(107)	(77)
Interest and other income	125	119	52	43	37
Gains on shares of operating companies, net	164	209	207	269	145
	517	642	459	385	202
Acquisition, restructuring and other expenses	(474)	(39)	(38)	(12)	(19)
Debt prepayment costs	-	(3)	(19)	(29)	(9)
Writedown of goodwill and intangible assets by operating companies	(427)	(22)	(33)	(68)	-
Earnings before income taxes and non-controlling interests	(384)	578	369	276	174
Provision for income taxes	(10)	(173)	(147)	(141)	(64)
Non-controlling interests of operating companies	253	(252)	(117)	(2)	(22)
Earnings from continuing operations	(141)	153	105	133	88
Earnings (loss) from discontinued operations ^(a)	939	35	189	44	(34)
Net earnings for the year	\$ 798	\$ 188	\$ 294	\$ 177	\$ 54
Total assets	\$ 20,870	\$ 19,719	\$ 12,413	\$ 6,820	\$ 5,889
Shareholders' equity	\$ 2,219	\$ 1,431	\$ 1,278	\$ 1,059	\$ 967
Dividends declared per Subordinate Voting Share ^(b)	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11
Earnings per Subordinate Voting Share ^(b) :					
Continuing operations	\$ (0.88)	\$ 0.94	\$ 0.64	\$ 0.78	\$ 0.51
Net earnings	\$ 4.95	\$ 1.15	\$ 1.80	\$ 1.04	\$ 0.32
Diluted	\$ 4.95	\$ 1.07	\$ 1.71	\$ 1.03	\$ 0.31

(a) Earnings (loss) from discontinued operations for the years 1997 to 2001, inclusive, pertains to the operations of Sky Chefs, and of ProSource for 1997 and 1998 only, as well as the after-tax gain resulting from the respective June 2001 and May 1998 sales of these companies. Previously reported consolidated revenues and earnings figures for the years 1997 to 2000 have been reclassified to show the results of Sky Chefs and ProSource as discontinued operations.

(b) The per share amounts for the years prior to 2000 reflect the June 1, 2000 and June 1, 1999 two-for-one stock splits on a retroactive basis.

Year-end closing share price^(a)

As at December 31	2001	2000	1999	1998	1997
The Toronto Stock Exchange	\$ 22.45	\$ 21.90	\$ 26.13	\$ 10.88	\$ 7.15

(a) The share price amounts for the years prior to June 1, 2000 reflect the June 1, 2000 and June 1, 1999 two-for-one stock splits on a retroactive basis.

Shareholder Information

Shares

The Subordinate Voting Shares of the Corporation are listed and traded on The Toronto Stock Exchange.

Share symbol

OCX

Dividends

Dividends on the Subordinate Voting Shares are payable quarterly on or about January 31, April 30, July 31 and October 31 of each year. At December 31, 2001 the indicated dividend rate for each Subordinate Voting Share was \$0.11 per annum.

Shareholder Dividend

Reinvestment Plan

The Dividend Reinvestment Plan provides shareholders of record who are resident in Canada a means to reinvest cash dividends in new Subordinate Voting Shares of Onex Corporation at a discount and without payment of brokerage commissions. To participate, registered shareholders should contact Onex' share registrar, CIBC Mellon Trust Company. Non-registered shareholders who wish to participate should contact their investment dealer or broker.

Corporate governance policies

A presentation of Onex' corporate governance policies is included in the Management Information Circular which is mailed to all shareholders. If you would like to receive a copy of this information, please contact Investor Relations at Onex.

Registrar and transfer agent

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
(416) 643-5500
or call toll-free throughout
Canada and the United States
1-800-387-0825
www.cibcmellon.ca
or inquiries@cibcmellon.ca (e-mail)

All questions about accounts, stock certificates or dividend cheques should be directed to the Registrar and Transfer Agent.

Investor information

Requests for copies of this report, quarterly reports and other corporate communications should be directed to:
Investor Relations
Onex Corporation
161 Bay Street
P.O. Box 700
Toronto, Ontario M5J 2S1

E-mail:
info@onex.com

Website:
www.onex.com

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants

Duplicate communication

Registered holders of Onex Corporation shares may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when shares are registered under different names and/or addresses, multiple mailings result. Shareholders who receive but do not require more than one mailing for the same ownership are requested to write to the Registrar and Transfer Agent and arrangements will be made to combine the accounts for mailing purposes.

Shares held in nominee name

To ensure that shareholders whose shares are not held in their name receive all Company reports and releases on a timely basis, a direct mailing list is maintained by the Company. If you would like your name added to this list, please forward your request to Investor Relations at Onex.

Annual meeting of shareholders

Onex Corporation's Annual Meeting of Shareholders will be held on Thursday, May 9, 2002 at 10:00 a.m. (Eastern Daylight Time) at Fairmont Royal York Hotel, Imperial Room, 100 Front Street West, Toronto, Ontario.

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